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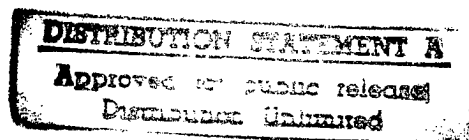
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## ***Supplement***

# **East Europe**

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## ***Recent Legislation***



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# East Europe

## Recent Legislation

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11 March 1992

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## Revised Law on Import Tax

92CH0262A Prague HOSPODARSKE NOVINY  
in Czech 19 Dec 91 p 10

["Text" of import tax law republished as Law No. 530/1991 Sb. of 5 December 1991 on Import Tax]

[Text]

### HOSPODARSKE NOVINY Comment

We are publishing this law for a second time within a short period. When we published it for the first time on 13 December 1991, the version used by mistake did not include the changes made during the debate in the Federal Assembly; therefore we ask our readers to consider it to be invalid, and we apologize for any difficulties this may have caused. We are correcting the mistake today by printing the final, valid version of the law.

#### Law No. 530/1991 Sb. of 5 December 1991 on Import Tax

The Federal Assembly of the Czech and Slovak Federal Republic has passed the following law:

### Section 1

#### Payers of the Tax

The payer of the import tax (hereinafter called "tax") is an entrepreneur<sup>1</sup> or legal entity who neither pays sales tax nor settles it,<sup>2</sup> and who imports goods<sup>3</sup> that must pass through customs.

### Section 2

#### Taxation Unit

(1) All goods imported by the taxpayer for the purpose of transacting business or goods imported by the taxpayer in order to execute activities or a profession are subject to this tax, with the exception of goods that are exempt from the tax by this law.

(2) The following are considered to be imported goods (hereinafter called "goods"):

(a) Goods that are released for free circulation<sup>4</sup> in this country through a decision by the customs office.

(b) Reimported goods that were released for registered circulation<sup>5</sup> abroad for the purpose of processing, modification, or repair.

(c) Reexported goods, that were released for registered circulation in this country for the purpose of short-term use.

### Section 3

#### Tax Rates

The tax rates are stipulated in column 3, part I of the rate schedule for sales tax, published on the basis of a special law.<sup>6</sup>

### Section 4

#### Tax Base and Calculation of Tax

(1) The calculation base for the tax is:

(a) A multiple of 100 of the ratio of factor "A" and denominator "B," whereby factor "A" is equal to the sum of the customs value,<sup>7</sup> the customs duty, the import surcharge and the equalization rate for imports, and denominator "B" is equal to the difference between 100 and the amount of the tax rate, if using the percentage tax rate.

(b) The quantity of goods if using a rate other than the percentage rate.

(2) If the value of goods released for registered circulation abroad is altered through processing, modification, or repair, the customs value is considered to be the value added as a result of their processing, modification, or repair.

(3) For goods mentioned in Section 2, para. 2 (c), the base will be the customs value of goods released for registered circulation in this country. In regard to these goods, the tax amount for every month commenced, during which the goods are in registered circulation in this country, will amount to 3 percent of the tax calculated in accordance with paragraph 1, however not to exceed the total amount of the tax calculated in accordance with paragraph 1.

(4) The taxpayer is obligated to calculate the tax himself according to the condition of the goods and the regulations valid on the day on which the state's entitlement to customs duty commenced.<sup>8</sup>

### Section 5

#### Notification of Tax and Legal Recourse

(1) The taxpayer is obligated to submit to the authorized local financial office<sup>9</sup> or tax office<sup>10</sup> (hereinafter called "financial agency") a notification of the tax (hereinafter called "notification") through the customs office, and he must do this even if the obligation to pay tax does not arise.

(2) The notification must be submitted simultaneously with a written proposal for customs procedure.<sup>11</sup> If the taxpayer does not submit a notification, the customs office will not release the goods.

(3) The customs office must confirm the data provided in the written proposal for customs procedure in the notification.

(4) The customs office must send the notification to the financial agency no later than seven calendar days after the decision to release the goods for free circulation has been issued.

(5) The financial agency will examine the notification.

(6) If the taxpayer subsequently discovers that the notification he submitted to the financial agency is incorrect or incomplete, he is obligated to submit a supplementary notification to the financial agency by the end of the month following his discovery and, at the same time, he is obligated to notify it of the reasons that led to the inaccuracy or incompleteness.

(7) The taxpayer may submit a supplementary notification that is to result in a decrease in the tax no later than six months following the end of the calendar month in which the original notification was submitted to the customs office. A supplementary notification due to the settlement of claims in regard to liability for defects in the goods may be submitted by the taxpayer up to three years from the end of the calendar year in which the tax obligation arose.

(8) The taxpayer is obligated to submit a supplementary notification through the customs office, together with a written proposal for customs procedure, if he is submitting a supplementary notification on the basis of a change in customs value, customs duty, import surcharge, or equalization rate for imports.

(9) After agreement with the Federal Ministry of Foreign Trade, the Finance Ministry of the Czech Republic, and the Finance Ministry of the Slovak Republic, the Federal Finance Ministry will stipulate the detailed requirements of the notification through a universally binding legal regulation.

#### Section 6

##### Origination of Tax Liability

Tax liability arises on the day on which the customs office decides to release the goods for free circulation in this country, or on the day on which the customs office decides to terminate the release of goods for registered circulation in this country.

#### Section 7

##### Tax Payment Deadline

(1) The taxpayer is obligated to pay the tax to the financial agency within 30 calendar days from the day on which the tax liability arose.

(2) If the financial agency executes a supplementary tax assessment, the taxpayer is obligated to pay the tax to the financial agency within 30 calendar days from the day on which the decision on the supplementary tax assessment was delivered.

#### Section 8

##### Supplementary Tax Assessment

The financial agency must make a supplementary tax assessment as soon as it discovers that the taxpayer calculated the tax incorrectly at a lower amount in the submitted notification, or that he did not submit a notification.

#### Section 9

##### Tax Exemption

The following will be exempt from tax; goods that are:

(a) Imported as replacements for goods that were returned by the taxpayer in the context of a settlement of claims in regard to liability for defects in the goods.

(b) Stipulated in special regulations<sup>12</sup> and imported exclusively for the needs of his farmstead by a physical person involved in agricultural production who is registered in the records according to special regulations.

(c) Stipulated in Section 2, para. 2 (c), that are temporarily totally exempt from tax in accordance with an international agreement by which the Czech and Slovak Federal Republic is bound and which was published in the Collection of Laws.

#### Section 10

##### Termination of Tax Liability

(1) The tax cannot be demanded after three years have passed from the end of the calendar year in which the tax liability arose.

(2) If legal action is taken to ascertain or exact the tax, the deadline for the termination of the tax liability will restarts from the end of the calendar year in which the taxpayer was notified of this legal action.

(3) [If action under paragraph (2) is taken] The tax may be demanded no later than 10 years starting from the end of the calendar year in which the tax liability arose.

#### Section 11

##### Increase in the Tax

(1) If the financial agency discovers that the notification included incorrect or incomplete information that led to a shortfall in the tax, it will increase the reduced tax by 20 percent of the amount by which it was reduced.

(2) If the taxpayer discovers that the notification included incorrect or incomplete information that led to a shortfall in the tax and submits a supplementary notification, the reduced tax will be increased by 10 percent of the amount by which it was reduced.

(3) The financial agency will increase the reduced tax by a further 40 percent of the amount by which it was reduced if the shortfall occurred due to the return of the tax to the taxpayer in connection with the submission of a supplemental notification in accordance with the provisions in Section 5, para. 6 of this law, which contained incorrect or incomplete information that affected the shortfall in the tax.

(4) If the shortfall in the tax was due to the violation of customs regulations for reasons other than those mentioned in paragraphs 1 and 2, the tax will be increased by 50 percent of the amount by which it was reduced.

(5) There are no provisions for an increase in a tax that is lower than Kcs100.

#### Section 12

##### Penalties

(1) If the tax due was not paid on time or in the full amount, the taxpayer is obligated to pay the back payment as well as a penalty in the amount of 0.1 percent of the back payment for every calendar day it is past due, starting on the day following the due date, up to and including the day it is paid.

(2) There are no provisions for penalties that are lower than Kcs100.

#### Section 13

##### Rounding Off

The calculated tax, an increase in the tax, and penalties will be rounded off to whole crowns starting with and including Kcs0.50.

#### Section 14

##### Procedures

Special regulations<sup>13</sup> apply in respect to procedures on matters concerning the tax unless this law stipulates otherwise.

#### Section 15

##### Validity of the Law

This law goes into force on 1 January 1992.

##### Footnotes

1. Section 2 of Law No. 513/1991 Sb. [Collection of Czechoslovak Laws], Commercial Code.
2. Section 2 of Law No. 73/1952 Sb., on Sales Tax in the version of Law No. 107/1990 Sb.
3. Section 22 of Law No. 44/1974 Sb., the Customs Law, in the version of Law No. 5/1991 Sb.
4. Section 75 and Section 76 of Law No. 44/1974 Sb.
5. Section 78 of Law No. 44/1974 Sb.
6. Section 6 of Law No. 73/1952 Sb.
7. Ruling of the Minister of Foreign Affairs, No. 120/1984 Sb. on the Agreement on Executing Article VII of the General Agreement on Customs Duties and Trade and on the Record in relation to it. The Statute of the Government of the Czech and Slovak Federal Republic, No. 525/1991 Sb., which publishes the customs duty rate schedule.
8. Section 46 of Law No. 44/1974 Sb.
9. Czech National Council Law No. 531/1990 Sb. on Territorial Financial Agencies.
10. Slovak National Council Law No. 84/1991 Sb. on Tax Offices.
11. Section 66 of Law No. 44/1974 Sb.
12. Provisions of the Federal Finance Ministry File No. XIII/1-16 050/91, dated 2 July 1991, which stipulates

the purchase of some products by independent farmers for prices without sales tax (reg. no. 56/1991 Sb.).

13. Finance Ministry Ruling No. 16/1962 Sb. on Procedures in Tax Matters. Law No. 71/1967 Sb. on Administrative Procedures (Administration Code).

#### Law on Accounting

92CH0283B Prague HOSPODARSKE NOVINY  
in Czech 31 Dec 91 pp 18-20

["Text" of law on accounting, effective 1 January 1992]

[Text] The Federal Assembly of the Czech and Slovak Federal Republic has approved the following law:

### PART ONE

#### General Provisions

##### Section 1

(1) This law establishes the scope and methods of accounting and providing evidence of it for all legal entities and, furthermore, for physical persons who transact business or perform other income-producing activities in accordance with special regulations<sup>1</sup> if, for tax purposes, they have to provide evidence of the expenses they incurred to attain, ensure, and maintain an income.

(2) For the purposes of this law, the entities and persons mentioned in paragraph (1) are considered to be accounting units.

##### Section 2

Accounting units must prepare accounts using the double-entry or single-entry accounting system, on the position and changes in their assets and liabilities, on the difference between their assets and liabilities,<sup>2</sup> on the costs and revenues—or expenses and incomes—and on their profit and loss statement (accounting disclosure); the use of the appropriate accounting system by the accounting units will be established by the law.

##### Section 3

(1) Accounting units must prepare accounts on facts that are accounting disclosures for the period to which these facts pertain in time and relevance (hereinafter called "accounting period"); if it is impossible to observe this principle, they may prepare accounts for the accounting period during which they discovered the given facts.

(2) The accounting period is one calendar year.

##### Section 4

(1) Accounting units which are legal entities must prepare accounts from the day on which they are founded to the day on which they are discontinued; physical persons must prepare accounts for the time during which they transact business or perform other activities stipulated in Section 1.

(2) When preparing accounts, accounting units are obligated to adhere to the system and procedures of accounting, the organization of items in the financial statement and the delimitation of the contents of these items, the range of information to be published in the financial statement, and the procedures for consolidating the financial statement, which will be stipulated by the Federal Finance Ministry and will be made public by it through an announcement on their publication in the Collection of Laws.<sup>3</sup>

(3) The accounts must be prepared for the accounting unit as a whole. A special law may establish cases when the accounting unit must prepare accounts on assets and liabilities with which it disposes in its own name separately from its assets and liabilities.

(4) When preparing accounts, the accounting units may use computer and other technologies or data bases or microfilm records; such accounting must be consistent with the conceptual framework documentation in accordance with Section 33.

(5) The accounts must be prepared in monetary units of the Czechoslovak currency and, in cases stipulated in Section 10, also in foreign currencies.

#### Section 5

(1) The accounting units may commission another legal or physical entity to prepare their accounts.

(2) Commissioning in accordance with paragraph (1) does not relieve the accounting unit of its responsibility to prepare accounts.

#### Section 6

(1) Accounting units must provide evidence of the facts that are accounting disclosures (hereinafter called "transactions") through accounting documents or—if such information about the facts is immediately entered directly into a data base using other technological devices and thus an accounting document is not created—through a system stipulated in the conceptual framework documentation.

(2) The accounting units must enter transactions in accounting ledgers (hereinafter called "accounting entries"); the accounting entries must be evidenced by accounting source documents or, if these records are derived from a data processing program, by a method stipulated in the conceptual framework documentation.

(3) Accounting units are obligated to take an inventory of their assets and liabilities in accordance with Section 29.

(4) Accounting units are obligated to prepare either a standard or an extraordinary financial statement in accordance with Section 18, paragraph (1), and furthermore in cases stipulated in Section 22 they must also prepare a consolidated financial statement.

#### Section 7

(1) Accounting units are obligated to prepare complete accounts in a clear and accurate manner so that they faithfully represent the facts that constitute the accounting disclosure.

(2) An accounting unit's accounts will be complete if the accounting unit entered all transactions pertaining to the accounting period.

(3) An accounting unit's accounts will be prepared in a clear manner if the accounting unit documented or evidenced all transactions and the accounting entries pertaining to them using the prescribed method and took an inventory of its assets and liabilities.

(4) An accounting unit's accounts will be accurate as long as the accounting unit, while considering all circumstances relating to the transaction, did not violate any of the obligations set it by this law.

#### Section 8

(1) During the course of an accounting period, the accounting units may not change the valuation methods, the depreciation procedures, the accounting procedures, the organization of items in the financial statement and the delimitation of the contents of these items, or the procedures for preparing the consolidated financial statement.

(2) The valuation methods, the depreciation procedures, the accounting procedures, the organization of items in the financial statement and the delimitation of the contents of these items, and the procedures for preparing the consolidated financial statement used in accounting and in the financial statement during one accounting period may be changed by the accounting unit in its preparation of accounts and in its financial statement during the accounting period that immediately follows only in order to attain a faithful representation of the accounting disclosure; the reasons for the changes and the monetary results from them must be given in a supplement.

(3) Differences issuing from the changes in the valuation methods used in the preparation of accounts and in the financial statement in accordance with paragraph (2) will be transactions in the accounting period that immediately follows.

(4) Balancing of asset and liability items or of costs and revenue or expense and income items may only be executed in accordance with accounting procedures.

### PART TWO

#### Accounting Systems, Documents, Entries, and Ledgers

#### Section 9

##### Accounting Systems

(1) The following will prepare accounts using the single-entry accounting system:

a) Entrepreneurs permitted to do so by a special law.<sup>4</sup>

b) Other physical persons stipulated in the provisions of Section 1, paragraph (1).

c) Self-supporting organizations whose annual expense budget volume does not exceed 500,000 Czech korunas [Kcs].

d) Political parties and political movements, citizens associations, their organizational units and offices with legal status, and associations of legal entities and foundations as long as they do not transact business or as long as their incomes did not reach Kcs3,000,000 during the preceding year.

e) Churches and religious societies and their agencies and church institutions with legal status, as long as they do not transact business or as long as they are not the recipients of grants from the appropriate state budgets.

(2) All other accounting units not mentioned in paragraph (1) must use the double-entry accounting system to prepare their accounts.

## Section 10

### Accounting in Foreign Currencies

Foreign currencies will be used in accounting to prepare accounts pertaining to outstanding debts and liabilities, stocks, foreign exchange, securities, property participation, investment in capital assets, immovable assets abroad, and furthermore pertaining to all other values that are evaluated in foreign currencies.

## Section 11

### Accounting Documents

(1) Accounting documents are original papers that must include the following points:

a) An identification of the accounting document, if the fact that it is an accounting document is not clear, at least indirectly, from its contents.

b) A description of the contents of the transaction and the identification of its participants if this is not clear, at least indirectly, from the accounting document.

c) The monetary amount or information on the quantity and price.

d) The date on which the accounting document was drawn up.

e) The date on which the transaction was executed if this is not the same as the date in accordance with (d).

f) The signature of the person responsible for the transaction and of the person responsible for entering it in the accounts; these signatures may be replaced in some other approved manner.

(2) The points included in the accounting document may also be placed on papers other than accounting papers; such papers must be stored for the same length of time as the accounting document.

(3) Accounting units must draw up the accounting documents without undue delay after ascertaining the facts that are documented by them.

## Section 12

### Accounting Entries

(1) Accounting units must make accounting entries on transactions in the Czech or in the Slovak language; the rights of citizens to use their mother tongue in accordance with special regulations<sup>5</sup> will not be affected.

(2) Accounting units must make the accounting entries in a manner that is intelligible, clearly organized, and one that ensures their preservation.

(3) Accounting units must organize their accounting entries in a manner that will enable verification of the accounting of all transactions during the accounting period and in a manner that will prevent unjustified changes and adjustments of these entries.

## Section 13

### Accounting Ledgers

(1) Accounting units that use the double-entry accounting system must prepare accounts:

a) In a journal (journals) in which they must organize the accounting entries from the point of view of time (chronologically) and in which they must document the accounting of all transactions during the accounting period.

b) In a controlling ledger, in which they must organize the accounting entries from the point of view of category (systematically).

c) In ledgers containing analytic evidencing where details must be given on the accounting entries in the controlling ledger.

(2) The controlling ledger includes synthetic accounts according to the accounting chart, which must include at least the following information:

a) The balance of accounts on the day on which the controlling ledger was opened.

b) The total turnover of the debit and credit columns of accounts, for no more than one calendar month.

c) The balance of accounts on the day on which the financial statement is prepared.

(3) The monetary amounts in the analytical evidencing ledgers must correspond with the appropriate aggregated monetary amounts in the synthetic accounts for which this evidencing is prepared.

(4) If the accounting units prepare their analytic evidencing ledgers in units of quantity, they must arrange an aggregated linkage of this evidencing in monetary units on the balance and/or on the turnover in the relevant synthetic accounts.

#### Section 14

(1) Accounting units that use the double-entry accounting system must prepare an accounting chart in which they must enter the synthetic accounts in accordance with the appropriate accounting system necessary to prepare accounts on all transactions.

(2) Accounting units must prepare an accounting chart in accordance with paragraph (1) for every year; the accounting chart may be supplemented during the course of the year. Unless a change is made in the accounting chart that was valid during the preceding year by 1 January of the current year, the accounting unit will proceed in accordance with this chart in the following year.

#### Section 15

(1) Accounting units that use the single-entry accounting system must prepare:

- a) A financial journal.
- b) A ledger for outstanding debts and liabilities.
- c) Subsidiary ledgers on other components of their assets and on liabilities issuing from labor law relations if they have a use for them.

(2) The financial journal must contain at least the following information on:

- a) Cash reserves on hand and in accounts at a financial institution, and current items.
- b) Income as a whole and divided into categories required for taxation purposes.
- c) Expenses as a whole and divided into categories required for tax purposes.
- d) Payments which are not expenses incurred in order to attain, ensure, and maintain an income and which may not affect the profit and loss statement.

#### Section 16

(1) Accounting units must prepare their accounting ledgers in monetary terms; they may use units of quantity in their analytical evidencing ledgers and in their subsidiary ledgers.

(2) Accounting units must keep registers of their accounting ledgers and listings of the numerical symbols, other symbols, and acronyms they used in accounting when identifying accounts and when making accounting entries in the accounting ledgers and in other accounting papers, along with an explanation of their meaning.

#### Section 17

(1) Accounting units which are legal entities must open their accounting ledgers on the day on which they are founded, on the first day of the accounting period, on the day they enter liquidation, or on the day that the declaration of bankruptcy or settlement becomes effective; accounting units which are physical persons, must open their accounting ledgers on the day they become entitled to transact business, on the day on which they are entered in the commercial register, on the day following the day on which they were deleted from the commercial register if they continue their business or other income-producing activities, on the first day of the accounting period, and on the day they declare bankruptcy or settlement. Accounting units may continue their accounting entries in the analytical evidencing ledgers, in the asset and liability ledger, and in the subsidiary ledgers during the subsequent accounting period; accounting entries pertaining to individual accounting periods must be clearly separated.

(2) Accounting units which are legal entities must close their books on the last day of the accounting period, on the day of discontinuance without liquidation, on the day preceding the day on which the declaration of bankruptcy or settlement becomes effective, on the day of termination of liquidation or bankruptcy; accounting units which are physical persons, must close their accounting books on the last day of the accounting period, on the day on which their business or other income-producing activities are terminated, on the day preceding the day on which the declaration of bankruptcy or settlement goes into effect, on the day bankruptcy is terminated, on the day preceding the day on which they are registered in the commercial register, and on the day they are deleted from the commercial register.

### PART THREE

#### The Financial Statement

#### Section 18

(1) In the double-entry accounting system, the financial statement comprises the following:

- a) A balance of accounts.
- b) A profit and loss statement; in the case of budget-supported organizations, a statement on compliance with the budget.
- c) A supplement.

(2) The balance and the remainders of accounts included in the balance (balance of accounts) with which the subsequent accounting period will commence must be based on the balance and remainders of accounts with which the preceding accounting period closed; the provisions in Section 8, paragraph (2), apply analogously.

(3) The supplement must include information pertaining to the valuation method, depreciation procedures, and



accounting procedures used during the accounting period for which the financial statement is being prepared, and information that is important to assess the position of the assets and liabilities, the financial position, and the profit and loss statement of the accounting unit.

(4) Accounting units which use the single-entry accounting system must prepare a report on assets and liabilities and on incomes and expenses.

(5) The financial statement or the report on assets and liabilities and on incomes and expenses must be signed by a legally authorized agency in the case of a legal entity or physical person who is an accounting unit.

#### Section 19

(1) Accounting units must prepare a financial statement on the last day of the accounting period (standard financial statement) and in the other instances stipulated in Section 17, paragraph (2), (extraordinary financial statement); accounting units which are legal entities must also prepare a balance of accounts on the day on which they are founded, on the day they enter liquidation, or on the day that the declaration of bankruptcy or settlement becomes effective, and accounting units which are physical persons, must prepare it on the day on which they are entered in the commercial register and on the day the declaration of bankruptcy or settlement (starting balance) becomes effective.

(2) The provisions in paragraph (1) also apply to preparing the report on assets and liabilities and on incomes and expenses with the proviso that accounting units which are physical persons must also prepare the report on the day they become entitled to transact business and on the day following the day on which they were deleted from the commercial register; however, they do not prepare it on the day on which they are entered into the commercial register.

#### Section 20

(1) Those accounting units that are obligated to do so in accordance with special regulations must have their financial statement verified by an auditor and they must make the information in it public.

(2) Commercial enterprises to which paragraph (1) does not apply and which are obligated to create capital assets and cooperatives must have their financial statements verified by an auditor if, during the year preceding the one for which the financial statement is being verified:

a) The amount of their net turnover (revenues decreased by the value-added tax and/or the sales tax if these taxes are an integral part of their revenues) was higher than Kcs40,000,000.

b) Or the amount of their net capital stock was higher than Kcs20,000,000.

(3) Accounting units in accordance with paragraphs (1) and (2) must publish the information in the financial statement in the manner stipulated by special regulations.<sup>6</sup>

#### Section 21

(1) Accounting units which must have their financial statements verified by an auditor in accordance with Section 20, must prepare an annual report and must deposit it with the agency stipulated by special regulations. Annual reports are a matter of public record (if they are deposited with the commercial court or the chamber of commerce) and the authorized archive office will make a determination as to their further storage after the public access period has terminated.

(2) The accounting unit must primarily include in the annual report in accordance with paragraph (1) the published information from the financial statement, the auditor's opinion in relation to the financial statement, information on important facts that concern the financial statement, and a report on the past and future expected development of its business activities and its financial position.

#### Section 22

(1) A consolidated financial statement is understood to be a financial statement of a commercial enterprise adjusted by the relations issuing from its property participation in other commercial enterprises.

(2) A consolidated financial statement must be prepared by a commercial enterprise that has at least a 20-percent property participation in another enterprise or who has the right to manage another commercial enterprise as a result of a contract or statute, regardless of the size of its property participation.

(3) Other commercial enterprises in accordance with paragraph (2) will be obligated to provide their financial statements to the commercial enterprise that is preparing the consolidated financial statement.

#### Section 23

(1) The same valuation methods for assets and liabilities, including the same rates for converting foreign currencies to Czechoslovak currency, must be used in all financial statements of commercial enterprises from which the consolidated financial statement will be prepared.

(2) An auditor must verify the consolidated financial statement.

(3) The provisions in Section 20, paragraph (3), and Section 21 apply analogously.

**PART FOUR****Valuation Methods****Section 24**

(1) Accounting units must take the following as a basis when valuating assets and liabilities and when preparing a profit and loss statement:

a) All costs and revenues pertaining to the accounting period, regardless of the date of payment in the case of accounting units that use the double-entry accounting system; or all expenses and incomes de facto paid during the accounting period in the case of accounting units that use the single-entry accounting system.

b) All risks, losses, and depreciation in relation to assets and liabilities which the accounting units are aware of on the day the financial statement is prepared.

(2) All assets and liabilities expressed in foreign currencies must be converted to Czechoslovak currency at the rate established in the Exchange Rate Quotation List of the Czechoslovak State Bank; the following rates will be used on the day the transaction is realized in relation to preparing accounts and on the day that the financial statement is prepared in relation to preparing statements:

a) The "foreign currency-purchase" rate for outstanding debts.

b) The "foreign currency-sales" rate for liabilities, the purchase of securities, property participation, and tangible and intangible assets with the exception of outstanding debts.

c) The "foreign currency-median" rate for cash reserves in bank accounts, claims from credits and liabilities from deposits in banks, and/or branches of foreign banks.

d) The "valuta-median" rate for cash reserves on hand and stocks whose valuation is expressed in par value.

**Section 25**

(1) Individual components of assets and liabilities in preparing accounts and in the financial statement must be valuated by the accounting units in the following mandatory manner:

a) Tangible assets apart from inventories, with the exception of assets created from own activities, will be valuated using purchase prices or replacement prices.

b) Tangible assets apart from inventories created from own activities will be valuated using production and distribution costs.

c) Purchased supplies will be valuated using purchase prices.

d) Supplies created from own activities will be valuated using production and distribution costs.

e) Cash reserves and stocks will be valuated using their par value.

f) Securities and property participation will be valuated using acquisition prices.

g) Outstanding debts and liabilities will be valuated using their par value.

h) Purchased intangible assets apart from outstanding debts will be valuated using purchase prices.

i) Intangible assets apart from outstanding debts created from own activities will be valuated using production and distribution costs or replacement prices if the latter are lower.

j) Additional breeding of animals will be valuated using production and distribution costs, and if these cannot be ascertained, using replacement prices.

(2) The valuation of assets and liabilities in accordance with paragraph (1) will be adjusted in accordance with the provisions in Sections 26 and 28.

(3) If dealing with the same types of inventories and securities, a valuation using a price determined through the weighted average or using the first-in first-out method, where the first price for valuating an increase in the asset account is used as the first price for valuating a loss in the asset account are also considered to be methods of valuation in accordance with paragraph (1).

(4) The following is understood for the purpose of this law:

a) The purchase price is the price at which the assets were acquired and the costs connected with their acquisition.

b) The replacement price is the price at which the assets could be acquired at the time the accounts are prepared.

c) The acquisition price is the price for which the assets were acquired excluding the costs connected with their acquisition.

d) Production and distribution costs in regard to inventories created from own activities are the direct costs expended for production or another activity, and/or a part of the indirect costs in connection with production or another activity.

e) Production and distribution costs in regard to tangible assets apart from inventories and intangible assets apart from outstanding debts created by own activities are the direct costs expended for production or another activity and indirect costs in connection with production or another activity.

**Section 26**

(1) If, while taking an inventory of supplies, it is discovered that their sales price reduced by the costs connected with the sale is lower than the price used for their

valuation in the accounts, the supplies will be valued in the accounts and in the financial statement at this lower price.

(2) If, while taking an inventory, it is discovered that a portion of the liabilities is higher than the amount in the accounts, the liabilities will be entered in the accounts and in the financial statement at the higher amount.

(3) The valuation of assets and liabilities in the accounts and in the financial statement will be adjusted by items expressing risks, losses, and depreciation in accordance with Section 24, paragraph (1); if the reasons for the adjustment in valuation are not there, the above-mentioned items will be deleted.

(4) Accounting units which use the single-entry accounting system, and accounting units which are not entrepreneurs or do not perform any income-producing activity stipulated in Section 1 will not make use of the provisions in paragraphs (1) to (3).

#### Section 27

The valuation methods stipulated in Sections 24 to 26 will be used by accounting units together with established accounting procedures.

#### Section 28

(1) Accounting units, with the exception of budget-supported organizations, will depreciate tangible assets apart from inventories and intangible assets apart from outstanding debts, unless special regulations stipulate otherwise. Lots of land and other assets delimited in special regulations will not be depreciated.<sup>7</sup>

(2) Accounting units in accordance with paragraph (1) must prepare a depreciation schedule as a basis for numerically expressing repairs on depreciated assets in the course of their use; they must themselves stipulate the process of depreciation in this schedule.

(3) Tangible assets apart from inventories will be depreciated, whereby normal wear and tear during their use must be taken into consideration. Intangible assets apart from outstanding debts must be depreciated no later than five years from the date of their acquisition.

### PART FIVE

#### Inventory-Taking of Assets and Liabilities

##### Section 29

(1) By taking inventory on the day of the standard and extraordinary financial statements, accounting units must verify whether the position of assets and liabilities in the accounts corresponds with the facts.

(2) In respect to supplies, the accounting units may use the perpetual inventory system as long as it conforms with the accounting procedures they use.

(3) If the nature of tangible assets apart from inventories and cash reserves on hand so permit, the accounting units may take inventory over a longer period of time which, however, may not exceed two years. In respect to cash reserves on hand, the accounting unit must take inventory no less than four times a year.

(4) The accounting units are obligated to keep evidence of the inventory of all assets and liabilities for the length of five years after the inventory was taken.

#### Section 30

(1) The real position of assets and liabilities must be determined through a physical inventory of tangible assets, and possibly intangible assets, or through the documentation of liabilities and other components of assets where a physical inventory is not feasibly; such positions must be noted in the inventory catalogs which must be signed by the person responsible for taking the inventory.

(2) A physical inventory of tangible assets which cannot be taken by the date of the financial statement, may be taken during the last three months of the accounting period, and/or during the first month of the following accounting period. At the same time, the position of the tangible assets on the day of the financial statement must be evidenced with information from the physical inventory adjusted by increases and losses of the given assets during the time from the termination of the physical inventory to the end of the accounting period, and/or during the time from the beginning of the following accounting period to the day of termination of the physical inventory in the first month of this accounting period.

(3) The accounting units must include the differences in the inventory in the accounting period during which the position of assets and liabilities is being verified by inventory-taking.

### PART SIX

#### Storage of Accounting Papers

##### Section 31

(1) Accounting papers and data base records or micro-film records that replace them must be stored by the accounting units in accordance with a previously established order separately from other papers in the archives and must be stored for a period further determined by deadlines for storage. Before they are stored in the archives, the papers must be organized by the employees who used them for their work, and they must be protected against loss, destruction, and damage.

(2) Accounting papers and data base records or micro-film records that replace them, with the exception of those mentioned in Section 32, must be stored as follows:

a) The financial statement and annual report: for a period of ten years following the year to which they pertain.

b) Wage records or papers that replace them: for a minimum of ten years following the year to which they pertain; information in them required for the purposes of pension security and health insurance: for a period of twenty years following the year to which they pertain.

c) Accounting documents, accounting charts, accounting ledgers (with the exception of wage records), the depreciation schedule, registers of accounting ledgers, inventory catalogs: for a period of five years following the year to which they pertain.

d) Conceptual framework documentation for preparing accounts using computer and other technologies: for a period of five years following the year in which they were last used.

e) Documents on expenses and incomes on hand: for a period of one year after a tax audit was performed.

f) Inventory cards of tangible assets apart from supplies or accounting papers that replace them: for a period of three years following the retirement of these assets if a tax audit was performed during this period, or for a period on one year after it was performed.

g) Listings of numerical or other symbols and acronyms that were used in accounting: for the same length of time as the accounting papers in which they were used.

(3) If the obligation to prepare accounts in accordance with Section 4, paragraph (1) is annulled for accounting units which are legal entities, the accounting papers will be transferred to their legal successors; in the case of accounting units which are physical persons, the accounting papers will be transferred to the heir if he continues to transact business or perform other income-producing activities stipulated in Section 1. In all other cases, the accounting units may not discard the accounting papers until after their assets and liabilities have been disposed of unless legal regulations stipulate otherwise.

#### Section 32

(1) Accounting documents and other accounting papers pertaining to copyrights and patents must be stored by the accounting units for the same period of time as such rights are valid and the obligation of the accounting unit to prepare accounts is in effect.

(2) Accounting documents and other accounting papers pertaining to tax proceedings, administrative proceedings, criminal proceedings, or other proceedings that have not yet been terminated must be stored by the accounting units up to the end of the year following the year during which the above-mentioned proceedings were terminated.

(3) Accounting documents and other accounting papers pertaining to guarantee periods or to proceedings in relation to filing a complaint, must be stored by the accounting units for the same length of time as the guarantee period or proceedings are in effect; accounting papers pertaining to unpaid outstanding debts or unfulfilled obligations must be stored by the accounting units up to the end of the year following the year in which they were paid or fulfilled.

(4) Analytical evidencing ledgers on outstanding debts and liabilities, accounting documents, and other accounting papers resulting from direct contact with countries abroad from the period preceding 1 January 1949, and financial statements pertaining to the transfer of assets to other legal or physical entities executed in accordance with Law No. 92/1991 Sb. must be stored by accounting units until the authorized republican finance ministry gives its consent on its own initiative or on the request of the accounting unit to discarding these papers.

### PART SEVEN

#### Joint, Temporary, and Closing Provisions

#### Section 33

##### The Use of Computer and Other Technologies

(1) Conceptual framework documentation for preparing accounts using computer technology and other technologies must conform with the provisions of this law.

(2) Accounting papers may be replaced by records on data bases; such replacement is not permitted for accounting documents and accounting papers that result from direct contact with foreign countries from the period preceding 1 January 1949, or for financial statements pertaining to the transfer of assets to other legal or physical entities executed in accordance with Law No. 92/1991 Sb.

(3) Accounting papers may not be replaced by microfilm records until the financial statement has been prepared and it has been verified by an auditor if the law prescribes the obligation of verification; such replacement is only permitted for accounting documents on condition that they are simultaneously recorded in a data base.

(4) In the cases mentioned in paragraphs (2) and (3), the provisions of the special law on the form of legal actions<sup>8</sup> do not apply.

(5) The use of computer and other technologies must permit the provision of information in printed form if it is required for the verification of the financial statement by an auditor, for a tax audit, or due to the relationship of the accounting unit to a bank and/or a branch of a foreign bank.

(6) Accounting units are obligated to ensure the protection of accounting papers and the information contained in them, data base records or microfilm records that

replace them, computer and other technology equipment, and the conceptual framework documentation in accordance with paragraph (1) against their misuse, damage, destruction, or loss.

#### Section 34

##### The Identification of Accounting Papers

Accounting units must identify the accounting documents, accounting ledgers, and other accounting papers with their name and must organize them in such a way that it is clear that they are complete and to which accounting period they pertain.

#### Section 35

##### Corrections in the Accounting Papers

Corrections in accounting documents, accounting ledgers, and other accounting papers must not lead to incompleteness, lack of clarity, or inaccuracies in the accounts.

#### Section 36

(1) If the assets have special characteristics, the following may stipulate special procedures for preparing accounts and for the resultant delimitation of contents of the items in the financial statement:

a) For the budget-supported sector of defense: the Federal Finance Ministry in cooperation with the Federal Ministry of Defense.

b) For armed security forces and for the security service of the federation: the Federal Finance Ministry in cooperation with the Federal Ministry of the Interior.

c) For the armed security forces of the republics: the Federal Finance Ministry in cooperation with the finance ministries of the republics and the interior ministries of the republics.

d) For correctional education groups: the Federal Finance Ministry in cooperation with the finance ministries of the republics and the republican ministries of justice.

(2) Accounting procedures, the organization of items in the financial statement and the delimitation of the contents of these items, and the procedures for preparing a consolidated financial statement stipulated by the Federal Finance Ministry for the sector of banks and branches of foreign banks, will be drawn up by the State Bank of Czechoslovakia in cooperation with the Federal Finance Ministry in justified cases.

#### Section 37

##### Fines

(1) Agencies authorized in accordance with special regulations<sup>9</sup> may impose a fine up to an amount of Kcs500,000 on accounting units for violating an obligation in accordance with this law, which resulted in

incompleteness, or lack of clarity, or inaccuracy in accounting; if this violation of obligation resulted in the impossibility to ascertain the tax base, a fine may be imposed up to an amount of Kcs1,000,000.

(2) A fine in accordance with paragraph (1) may be imposed up to one year from the day on which the agency authorized to impose the fine discovered the violation of obligation; this fine may be imposed no later than three years from the day on which the violation of obligation occurred.

(3) The provisions in special regulations will not be affected.

#### Section 38

(1) During the 1992 accounting period, accounting units will use accounting systems and accounting procedures, will value assets and liabilities in preparing the accounts and in the financial statements using methods based on former legal regulations.

(2) From the day on which this law goes into effect, the Federal Finance Ministry will no longer proceed in accordance with the provisions in Section 4, paragraph (2), Section 14, and Section 35, paragraph (3), of Law No. 21/1971 Sb., on the Unified System of Social Economic Information in the version of Law No. 128/1989 Sb.

#### Section 39

##### The Following Will Be Annulled:

1. CSSR Government Decree No. 136/1989 Sb. on the Information System of Organizations.
2. Federal Finance Ministry Ruling No. 155/1971 Sb. on Taking Inventory of Assets.
3. Federal Finance Ministry Ruling No. 21/1990 Sb. on Cost Accounting.
4. Federal Finance Ministry Ruling No. 23/1990 Sb. on Accounting.

#### Section 40

This law goes into effect 1 January 1992.

#### Footnotes

1. In particular Section 2, paragraph (2), of Law No. 513/1991 Sb., Commercial Code.
2. In the case of entrepreneurs, the net business assets.
3. Section 8, paragraph (1) (b), of Law No. 131/1989 Sb. on the Collection of Laws.
4. Section 37 of the Commercial Code.
5. No. 25 of the Bill of Basic Rights and Liberties, which is presented in Constitutional Law No. 23/1991 Sb., SNR [Slovak National Council] Law No. 428/1990 Sb. on the Official Language in the Slovak Republic.
6. Section 769 of the Commercial Code.
7. In particular Law No. 40/1961 Sb. on the Defense of the Czechoslovak Socialist Republic in the version of subsequent regulations, Law No. 92/1949 Sb., the

Defense Law, full version No. 309/1990 Sb., Law No. 35/1990 Sb., Law No. 35/1965 Sb. on Literary, Scientific, and Artistic Works (Author's Law), full version No. 247/1990 Sb.

8. Section 40, paragraph (4), of the Civil Code, No. 40/1964 Sb. in the version of subsequent regulations.

9. CNR [Czech National Council] Law No. 531/1990 Sb., on Territorial Finance Offices. SNR Law No. 84/1991 Sb., on Tax Offices.

### **Law on National Bank**

92CH0309A Prague HOSPODARSKE NOVINY  
(supplement) in Czech 21 Jan 92 pp 11-12

["Text" of law on National Bank of Czechoslovakia, approved by the Federal Assembly, effective 1 February]

[Text] The Federal Assembly of the Czech and Slovak Federal Republic has agreed on the following law:

## **PART ONE. BASIC PROVISIONS**

### **Section 1**

(1) The National Bank of Czechoslovakia is the central bank of the Czech and Slovak Federal Republic.

(2) The National Bank of Czechoslovakia is a legal entity whose seat is in Prague; it is not recorded in the commercial register.

(3) The National Bank of Czechoslovakia acts as a federal central organ to the extent stipulated by this law and by special laws.<sup>1</sup>

(4) With respect to property rights involving its own property, the National Bank of Czechoslovakia has the standing of an entrepreneur.

### **Section 2**

The main goal of the National Bank of Czechoslovakia is to safeguard the stability of the Czechoslovak currency. In pursuit of this purpose, the National Bank of Czechoslovakia:

- a) Sets currency policy.
- b) Issues bank notes and coins.
- c) Directs monetary circulation, coordinates bank payments contacts and settlements, and makes sure that these contacts and settlements are handled in a smooth and economic manner.
- d) Exercises oversight over banking activities and devotes attention to the secure functioning and purposeful development of the banking system within the Czech and Slovak Federal Republic.
- e) Engages in other activities according to this law.

### **Section 3**

(1) The National Bank of Czechoslovakia is obligated to provide the Federal Assembly of the Czech and Slovak Federal Republic with a report on the development of the currency at least twice each year; at the same time, it provides this information to the Czech National Council and the Slovak National Council.

(2) The National Bank of Czechoslovakia is obligated to inform the public of currency developments at least once every three months.

## **PART TWO. ORGANIZATION OF THE NATIONAL BANK OF CZECHOSLOVAKIA**

### **General Provisions**

#### **Section 4**

The National Bank of Czechoslovakia is made up of:

- a) A Federal Center located in Prague.
- b) A center for the Czech Republic, located in Prague, and a center for the Slovak Republic, located in Bratislava.
- c) Branch offices.
- d) Special-purpose organizational units.

### **Bank Executive Board**

#### **Section 5**

(1) The highest organ directing the National Bank of Czechoslovakia is the Executive Board of the National Bank of Czechoslovakia (hereinafter referred to as the "Bank Executive Board"). The Bank Executive Board sets monetary policy and determines the instruments to be used in its realization and makes decisions regarding the monetary policy measures taken by the National Bank of Czechoslovakia.

(2) The Bank Executive Board has the following additional special duties:

- a) It sets the principles for the activity and commercial transactions engaged in by the National Bank of Czechoslovakia and determines the jurisdictions of the Federal Center, the center for the Czech Republic, and the center for the Slovak Republic with respect to carrying out these activities and commercial transactions, to the extent to which this is not stipulated by this law.
- b) It approves the budget of the National Bank of Czechoslovakia (Section 51).
- c) It determines the organizational arrangement and the jurisdiction of the organizational units of the National Bank of Czechoslovakia.
- d) It determines the types of funds operated by the National Bank of Czechoslovakia, their size, and utilization.

e) It sets the extent of credits in accordance with Section 35, Paragraph (2).

f) It establishes the salary or other emoluments for the governor.

g) It grants approval for employees of the National Bank of Czechoslovakia to act in management, oversight, and control organizations of commercial corporations and banks.

#### Section 6

(1) Members of the Bank Executive Board are the governor of the National Bank of Czechoslovakia, two vice governors of the National Bank of Czechoslovakia, of whom one is a citizen of the Czech Republic and the other a citizen of the Slovak Republic, as well as a vice governor charged with managing the National Bank of Czechoslovakia center for the Czech Republic and his deputy, and a vice governor charged with managing the National Bank of Czechoslovakia center for the Slovak Republic and his deputy.

(2) The governor is appointed to and recalled from a term of office listed in the law by the president of the Czech and Slovak Federal Republic, upon the proposal of the Government of the Czech and Slovak Federal Republic.

(3) The vice governors of the National Bank of Czechoslovakia are appointed and recalled by the president of the Czech and Slovak Federal Republic, upon the proposal of the governor, which is discussed with the Government of the Czech and Slovak Federal Republic.

(4) The vice governor charged with managing the National Bank of Czechoslovakia center for the Czech Republic and his deputy, as well as the vice governor charged with managing the National Bank of Czechoslovakia center for the Slovak Republic and his deputy are appointed and recalled by the president of the Czech and Slovak Federal Republic, upon the proposal of the governor, which is discussed with the government of the appropriate republic.

(5) The top-level officials identified in Paragraph (1) above are appointed for a period of six years.

(6) Membership on the Bank Executive Board is incompatible with the function of a delegate to the legislative body and membership in the Government of the Czech and Slovak Federal Republic, in the governments of the republics, and in management, oversight, and control organizations of other banks and commercial corporations.

(7) A top-level official who is a member of the Bank Executive Board according to this law may be recalled only if he has been legally sentenced for a criminal act or if, according to the decision of the Bank Executive Board, he has lost his ability to carry out his function, or, as a result of his own application to the Bank Executive

Board. Such a member will also be recalled in the event he has taken on a function listed in Paragraph (6) above.

#### Section 7

(1) Negotiations of the Bank Executive Board are presided over by the governor; in the event of his absence, by the vice governor designated by the governor. The Bank Executive Board adopts its decisions by simple majority vote. The Bank Executive Board is considered to have a quorum if the governor or the designated presiding vice governor is present and if at least three of its other members are present. In the event of a tie vote, the vote of the presiding officer is decisive.

(2) In negotiations and voting involving the Bank Executive Board, a member of the Bank Executive Board may be represented by another member of the Bank Executive Board on the basis of a written authorization.

(3) The agenda for the Bank Executive Board is issued by the governor.

#### Section 8

The National Bank of Czechoslovakia is represented externally by its governor.

#### Federal Center of the National Bank of Czechoslovakia

#### Section 9

(1) The Federal Center of the National Bank of Czechoslovakia prepares the meetings of the Bank Executive Board and, within the framework of its jurisdiction, implements the decisions of the Bank Executive Board.

(2) The Federal Center of the National Bank of Czechoslovakia has jurisdiction, particularly, with regard to the following:

a) Commercial transactions with the Czech and Slovak Federal Republic in accordance with this law (Sections 35 and 36).

b) Administration of currency reserves in gold and in foreign exchange; trading in foreign exchange and engaging in payments contacts with foreign countries.

c) Issuing National Bank of Czechoslovakia securities and trading such securities.

d) Operations involving securities.

e) Methodical direction of bank oversight and its implementation to the extent to which this is called for by the Bank Executive Board.

f) Management of special-purpose organizational units at the Federal Center of the National Bank of Czechoslovakia.

#### Section 10

The Federal Center of the National Bank of Czechoslovakia is directed by a governor. In his absence, he is

represented by a vice governor whom he has designated. The council of directors of the Federal Center, whose members are appointed and recalled by the governor acts as an advisory body to the governor.

**The National Bank of Czechoslovakia Center for the Czech Republic and the National Bank of Czechoslovakia Center for the Slovak Republic**

**Section 11**

(1) The National Bank of Czechoslovakia center for the Czech Republic and the National Bank of Czechoslovakia center for the Slovak Republic (hereinafter referred to as "republic centers") share in preparing for the meetings of the Bank Executive Board, within the limits of their jurisdictions, and assure the implementation of its decisions.

(2) The republic centers are responsible particularly for the following:

a) Commercial transactions involving the appropriate republic in accordance with this law (Sections 35 and 36).

b) Commercial transactions involving banks located on the territory of the appropriate republic in accordance with this law.

c) Carrying out of bank oversight to the extent stipulated by the Bank Executive Board.

d) Checking on the fulfillment of duties involved in the management of foreign exchange by persons other than banks who are located on the territory of the appropriate republic, checks for which the National Bank of Czechoslovakia is responsible according to a special law.<sup>2</sup>

(3) The republic centers manage branches and special-purpose organizational units of the National Bank of Czechoslovakia on the territory of the appropriate republic, with the exception of special-purpose organizational units which are part of the Federal Center of the National Bank of Czechoslovakia.

**Section 12**

A republic center is directed by a vice governor charged with managing the appropriate republic center; in his absence, direction is provided by his deputy. The council of directors of the republic center, members of which are appointed and recalled by the vice governor charged with managing the appropriate republic center, acts as an advisory organ to the vice governor.

**Advisory Boards**

**Section 13**

The Federal Center of the National Bank of Czechoslovakia and the republic centers may have attached to them advisory boards made up of specialists who are not employees of the National Bank of Czechoslovakia. Establishment of an advisory board at the Federal

Center is decided upon and its members are appointed by the governor; establishment of an advisory board attached to the republic centers is decided upon and its members are appointed by the vice governor charged with directing the appropriate republic center. The negotiations of the advisory board attached to the Federal Center are chaired by the governor or by a vice governor designated by him; the activities of the advisory board attached to the republic centers are chaired by the vice governor charged with directing the appropriate republic center or by his deputy.

**PART THREE. RELATIONSHIPS WITH GOVERNMENTS**

**Section 14**

(1) In assuring its principal goal (Section 2), the National Bank of Czechoslovakia is not dependent upon directives issued by the Government of the Czech and Slovak Federal Republic, the government of the Czech Republic, and the government of the Slovak Republic.

(2) A member of the Government of the Czech and Slovak Federal Republic, the government of the Czech Republic, or the government of the Slovak Republic, who has been duly authorized to do so by the appropriate government, may participate in the negotiations of the Bank Executive Board in an advisory capacity.

**Section 15**

(1) The National Bank of Czechoslovakia takes a position on proposals which are submitted for discussion by the Government of the Czech and Slovak Federal Republic, the government of the Czech Republic, or the government of the Slovak Republic—proposals which have to do with the jurisdiction of the National Bank of Czechoslovakia.

(2) The National Bank of Czechoslovakia fulfills an advisory function with respect to the Government of the Czech and Slovak Federal Republic, the government of the Czech Republic, and the government of the Slovak Republic in matters of monetary policy and banking.

**Section 16**

The governor of the National Bank of Czechoslovakia is authorized to participate in meetings of the Government of the Czech and Slovak Federal Republic and the vice governor charged with managing the appropriate republic center is authorized to participate in meetings of the government of the appropriate republic.

**PART FOUR. ISSUANCE OF BANK NOTES AND COINS**

**Section 17**

The National Bank of Czechoslovakia has the exclusive right to issue bank notes and coins, as well as commemorative coins (hereinafter referred to as "bank notes and coins").



### Section 18

The monetary unit in the Czech and Slovak Federal Republic is the Czechoslovak koruna, the acronym for which is "Kcs." The Czechoslovak koruna has 100 hellers.

### Section 19

The National Bank of Czechoslovakia administers the supply of bank notes and coins and organizes the delivery of bank notes and coins by manufacturers in conjunction with the requirements of money in circulation.

### Section 20

The National Bank of Czechoslovakia arranges for the printing of bank notes and the minting of coins and oversees the protection and security of bank notes and coins which have not been circulated and provides for the storage and destruction of printing plates, seals, and invalid and rejected bank notes and coins.

### Section 21

(1) Valid bank notes and coins issued by the National Bank of Czechoslovakia are legal tender at their nominal value for all payments made on the territory of the Czech and Slovak Federal Republic.

(2) Coins made of precious metals, commemorative coins, and special coins intended for numismatic purposes may be sold at prices which differ from their nominal value.

### Section 22

(1) Upon request, the National Bank of Czechoslovakia shall exchange damaged bank notes and coins which it issued for undamaged bank notes and coins.

(2) The National Bank of Czechoslovakia may decline to exchange bank notes or coins whose image or relief is illegible and perforated and may decline to exchange the remains of bank notes which are smaller than one-fourth of the original. Such bank notes and coins are confiscated from the presenter without compensation and are destroyed; in justified cases, the National Bank of Czechoslovakia may provide compensation as a matter of exception.

(3) The National Bank of Czechoslovakia does not provide compensation for bank notes and coins which have been destroyed or lost. Bank notes, the appearance of which has been altered, particularly bank notes which have been written upon, drawn upon, overprinted, printed upon, perforated, or which have been soiled with paint, glue, or other similar materials, can be confiscated without compensation.

### Section 23

Bank notes and coins which become used as a result of being in circulation, are withdrawn from circulation by

the National Bank of Czechoslovakia, are destroyed and are replaced with new bank notes and coins.

### Section 24

(1) The National Bank of Czechoslovakia may declare the bank notes and coins which it has issued to be invalid and withdraw them from circulation. It will provide compensation for their nominal value by exchanging them for other issued bank notes and coins. The time period during which it is possible to accomplish this exchange must not be shorter than five years.

(2) At the end of the time stipulated for the exchange, the cumulative value of the bank notes and coins which have been declared as invalid, but were not submitted for exchange, is subtracted from the quantity of money in circulation on the account books of the National Bank of Czechoslovakia. This sum is revenue for the National Bank of Czechoslovakia.

### Section 25

Any kind of reproduction of bank notes, coins, checks, securities, or payment cards payable in Czechoslovak korunas or in foreign currency (hereinafter referred to as "money symbols"), or objects resembling the above, may be produced only under conditions stipulated in implementing regulations.

### Section 26

Forged bank notes or coins, in Czechoslovak koruna denominations or in foreign currency denominations, are withdrawn by legal entities without compensation, in exchange for a receipt, and are turned over to the National Bank of Czechoslovakia. Legal entities are authorized to require the individual who has presented forged bank notes or coins to identify themselves in a credible manner. The legal entity which has taken away the forged item shall report that fact to organizations which handle criminal proceedings.

### Section 27

The National Bank of Czechoslovakia shall issue legal regulations pertaining to the following:

a) The nominal values, dimensions, weight, materials, appearance, and other appropriate features of bank notes and coins and their placement into circulation.

b) Procedures to be used by individuals and legal entities in accepting legal tender and handling it, including procedures in determining whether bank notes and coins are forged or have been altered, or procedures to be applied in the event there is suspicion that bank notes and coins are forged or have been altered.

c) Payment of compensation for partial and damaged bank notes and coins.

d) Termination of the validity of bank notes and coins and the method and time during which they may be exchanged for other bank notes and coins.

e) Conditions under which it is possible to fabricate reproductions of money symbols or objects which resemble them.

#### **PART FIVE. INSTRUMENTS OF CURRENCY REGULATION USED BY THE NATIONAL BANK OF CZECHOSLOVAKIA**

##### **Section 28**

(1) The National Bank of Czechoslovakia shall set the interest rates, the scope, the repayment, and other terms for the commercial transactions which it conducts in accordance with this law.

(2) The National Bank of Czechoslovakia may set the minimum rate of interest paid on deposits accepted by foreign banks and branch offices (hereinafter referred to as "banks") and the maximum rates of interest they may charge for loans they make; these rates are published as measures<sup>3</sup> in SBIRKA ZAKONU [Sb].

(3) The National Bank of Czechoslovakia may establish the maximum extent of credits granted by banks.

##### **Section 29**

The National Bank of Czechoslovakia shall, in accordance with a special law,<sup>4</sup> decree the rules of liquidity, capitalization, and other rules pertaining to prudent banking business activities.

##### **Section 30**

(1) The National Bank of Czechoslovakia may demand that banks have a portion of their resources deposited in accounts maintained by the National Bank of Czechoslovakia (hereinafter referred to as "obligatory minimum reserves"), which are, generally, not interest-bearing accounts.

(2) The obligatory minimum reserves may amount to a maximum of 30 percent of the total obligations of the bank, reduced by the amount of obligations the bank has with respect to other banks, with the exception of cases listed in Paragraph (3) below.

(3) For purposes of limiting excessive liquidity and overcoming inflationary pressures, the National Bank of Czechoslovakia is authorized to require that the obligatory minimum reserves be higher than those outlined in Paragraph (2) above; in such a case, the portion of such reserves which exceed the extent outlined in Paragraph (2) above shall earn interest at the valid discount rate.

##### **Section 31**

(1) If a bank fails to maintain the obligatory minimum reserve, the National Bank of Czechoslovakia is authorized to charge interest on the portion of the reserves which fall short of the obligatory minimum reserve at a rate which is commensurate to as much as triple the valid discount rate.

(2) In raising the level of the obligatory minimum reserves, the National Bank of Czechoslovakia will set the deadline by which the bank is required to increase its deposit.

#### **PART SIX. COMMERCIAL TRANSACTIONS OF THE NATIONAL BANK OF CZECHOSLOVAKIA**

##### **Transactions Involving Banks**

##### **Section 32**

The National Bank of Czechoslovakia maintains the accounts of banks and accepts their deposits.

##### **Section 33**

The National Bank of Czechoslovakia may purchase the following from banks or sell the following to them:

a) Bankers acceptances, which are payable within six months of the day the National Bank of Czechoslovakia purchased them and which bear at least two signatures, at least one of which must be a signatory for the bank.

b) State bonds or other sureties which are guaranteed by the state, payable within one year of the day of their purchase by the National Bank of Czechoslovakia.

##### **Section 34**

(1) The National Bank of Czechoslovakia may, for a period not exceeding three months, grant banks a credit, secured by the securities listed in Section 33 above, or by state bonds or other securities guaranteed by the state with a maturity which is longer than that listed in Section 33, Letter b), or by warehouse manifests covering commodities which are fully insured against loss and damage, as well as other property values.

(2) In the interest of maintaining the liquidity of banks, the National Bank of Czechoslovakia may, as a matter of exception, grant a bank a short-term credit for a period not exceeding three months.

##### **Transactions Involving the Czech and Slovak Federal Republic, the Czech Republic, and the Slovak Republic**

##### **Section 35**

(1) The National Bank of Czechoslovakia maintains the revenue and expenditure accounts of the state budget of the federation, the state budgets of the republics, the state funds and state financial accounts receivable and accounts payable, provided the responsible ministry of finance does not agree on the maintenance of these accounts with another bank. Payments made from expenditure accounts are accomplished to the extent of the cumulative remainder in the revenue accounts. The cumulative remainder may not be overdrawn.

(2) On the basis of a decision by the Bank Executive Board, the National Bank of Czechoslovakia may grant the Czech and Slovak Federal Republic, the Czech Republic, and the Slovak Republic a short-term credit by purchasing cashier's checks payable within three months

from the day of their purchase to cover fluctuations in the management of state budgets during the course of the year. The overall amount of these credits may not exceed 5 percent of the revenues of the appropriate budget which were recorded for the previous year.

#### Section 36

In accordance with a special law,<sup>5</sup> the National Bank of Czechoslovakia sells state bonds and, in agreement with the Federal Ministry of Finance, the Ministry of Finance of the Czech Republic, and the Ministry of Finance of the Slovak Republic, may even engage in activities connected with the administration and paying off, as well as transferring state bonds, payment of interest on these bonds, or other requested activities when entrusted to do so by these banks and in return for an agreed-upon fee.

#### Other Commercial Transactions Engaged in by the National Bank of Czechoslovakia

#### Section 37

For purposes of guiding the money market, the National Bank of Czechoslovakia may buy and sell negotiable securities.

#### Section 38

The National Bank of Czechoslovakia may issue short-term securities maturing within six months and may engage in trading them.

#### Section 39

(1) The National Bank of Czechoslovakia is authorized to maintain the accounts of its employees and to provide them with additional banking services. It may carry out this kind of activity also, as an exception, for legal entities.

(2) The conduct of activities listed in Paragraph (1) above is subject to special law.<sup>4</sup>

### PART SEVEN. THE AUTHORITY OF THE NATIONAL BANK OF CZECHOSLOVAKIA REGARDING THE FOREIGN EXCHANGE ECONOMY

#### Section 40

The National Bank of Czechoslovakia:

- a) Publishes the rate of exchange of the Czechoslovak currency with respect to foreign currencies.
- b) Sets the price of gold in the banking operations engaged in by the National Bank of Czechoslovakia.
- c) Has custody of, and administers, the currency reserves in gold and in foreign exchange and has authority over them.

#### Section 41

The National Bank of Czechoslovakia:

- a) Trades in gold and other foreign exchange values and conducts all types of banking business with domestic as well as foreign banks.

b) Sets the conditions for regulating the balance of payments of the Czech and Slovak Federal Republic and publishes them in the form of measures<sup>3</sup> in SBIRKA ZAKONU.

c) Sets the conditions for trading in gold and other foreign exchange values engaged in by the banks and by other individuals, in accordance with a special law,<sup>2</sup> and publishes them in the form of measures<sup>3</sup> in SBIRKA ZAKONU.

d) Issues securities in foreign currencies.

### PART EIGHT. OTHER ACTIVITIES AND AUTHORIZATIONS OF THE NATIONAL BANK OF CZECHOSLOVAKIA

#### Section 42

(1) The National Bank of Czechoslovakia submits to the Government of the Czech and Slovak Federal Republic proposals for legal modifications in the area of currency and money in circulation.

(2) The National Bank of Czechoslovakia, together with the Federal Ministry of Finance, submits to the government of the Czech and Slovak Federal Republic proposals for legal modifications dealing with the foreign exchange economy and proposals for legal modifications in the area of banking.

#### Section 43

(1) The National Bank of Czechoslovakia directs the circulation of cash and, for that purpose, may stipulate, through legal regulations, those cases in which payment in cash cannot be accomplished.

(2) For purposes of supporting a unified payments contact and accounting procedures in the Czech and Slovak Federal Republic, the National Bank of Czechoslovakia can stipulate the following by way of legal regulation:

a) The principles for payments contact between banks and accounting procedures applicable to accounts at banks.

b) The method of utilizing payments instruments used by banks in payments contacts.

#### Section 44

The National Bank of Czechoslovakia conducts the registration of the agencies of foreign banks and financial institutions (hereinafter referred to as "agencies") which are active on the territory of the Czech and Slovak Federal Republic. A foreign bank or financial institution is obligated to report an agency to be registered prior to the time it begins its activities.

**Section 45**

Within the framework of its jurisdiction as outlined in this law, the National Bank of Czechoslovakia negotiates payments and other agreements with foreign banks and with international financial institutions.

**Section 46**

(1) The National Bank of Czechoslovakia coordinates the development of the bank information system in the Czech and Slovak Federal Republic. For this purpose, it uses legal regulations to stipulate the principles underlying the banking information system.

(2) The National Bank of Czechoslovakia is authorized to require banks<sup>4</sup> and other individuals to whom it has granted permission, in accordance with a special law,<sup>2</sup> to provide the necessary information and documentation. For this purpose, and in conjunction with a special law,<sup>6</sup> the National Bank of Czechoslovakia shall stipulate, by means of measures<sup>3</sup> published in SBIRKA ZAKONU, the method and conditions for submitting the required information and documentation particularly outlining the content, form, breakdown, deadlines, and method of transmitting this information and documentation. If the submitted information and documentation do not correspond to the stipulated method and conditions, or if justified doubts arise regarding their veracity or completeness, the National Bank of Czechoslovakia is authorized to demand a corresponding clarification or explanation. If a bank or another person who has been granted a permit in accordance with special law fails to submit the required information or documentation or if such information and documentation has been repeatedly incomplete or incorrect, banks are proceeded against in accordance with a special law;<sup>4</sup> other individuals in accordance with Section 50.

**Section 47**

The National Bank of Czechoslovakia is authorized to conduct investment and commercial activities to the extent which is essential to support its activities.

**PART NINE. BANKING OVERSIGHT****Section 48**

(1) The National Bank of Czechoslovakia engages in banking oversight over the following:

a) Activities of banks and the secure functioning of the banking system.

b) Activities of persons other than banks who hold a permit in accordance with special laws.<sup>7</sup>

(2) Banking oversight encompasses:

a) Evaluation of applications for a permit to act like a bank in accordance with a special law.<sup>4</sup>

b) Oversight over adherence to the conditions stipulated in the permit in accordance with Letter a) above, as well as permits granted in accordance with special laws.<sup>7</sup>

c) Checks on the adherence to legal regulations and measures issued by the National Bank of Czechoslovakia, as well as checks on the adherence to laws in cases where this law and special laws<sup>1</sup> so authorize the National Bank.

d) Imposition of measures to rectify and of recovery measures in the event shortcomings are detected in accordance with this law or in accordance with a special law.<sup>4</sup>

**Section 49**

In exercising banking supervision through the form of on-the-spot control, the relationships between the National Bank of Czechoslovakia and the entities being checked are guided by fundamental rules applicable to auditing activities, as stipulated by special law<sup>8</sup> for organs of the state administration of the Czech and Slovak Federal Republic, with the exception of provisions covering the verification of the specialized suitability of employees charged with executing the audit,<sup>9</sup> provisions covering the publication of the results of such audits,<sup>10</sup> and provisions on collaboration in the area of the conduct of audits.<sup>11</sup>

**Section 50**

(1) If the National Bank of Czechoslovakia finds that shortcomings exist in the activities engaged in by persons other than banks on the basis of permits accorded in accordance with special laws,<sup>7</sup> it can impose the following upon these entities:

a) Measures designed to rectify the shortcomings in question, particularly orders to cease and desist from the use of incorrect procedures or to terminate activities.

b) A fine, depending on the seriousness of the determined shortcomings, not to exceed Kcs1 million.

(2) Shortcomings in accordance with Paragraph (1) above are understood to be a violation of the conditions stipulated in the permit according to special law,<sup>7</sup> as well as violations of this law, violations of a special law<sup>12</sup>, violations of legal regulations and measures issued by the National Bank of Czechoslovakia.

(3) The National Bank of Czechoslovakia shall impose a fine according to Paragraph (1), Letter b), above even on entities which engage in activities requiring permission in accordance with special laws<sup>7</sup> without such permission.

(4) The imposition of a fine does not touch upon responsibility defined in other legal regulations.

(5) The proceedings regarding the imposition of a fine according to Paragraph (1), Letter b), above are subject to regulations on administrative proceedings.<sup>13</sup> Protests

against the decision to impose a fine are subject to decision by the Bank Executive Board.

(6) The imposed fines become revenue for the state budget of the republic on whose territory the appropriate entity has its seat or possibly its domicile.

(7) The National Bank of Czechoslovakia may impose a fine according to Paragraph (1), Letter b), above up to one year from the day shortcomings were detected, but, at the latest, within 10 years of the day the shortcomings originated.

#### **PART 10. NATIONAL BANK OF CZECHOSLOVAKIA MANAGEMENT**

##### **Section 51**

(1) The National Bank of Czechoslovakia operates according to a budget approved by the Bank Executive Board.

(2) From its proceeds, the National Bank of Czechoslovakia covers all essential costs connected with its activities. It utilizes the created profit to augment the reserve fund and other funds created on the basis of profit and for other purposes at the level budgeted for. It passes the remaining profit to the state budget of the federation.

(3) The National Bank of Czechoslovakia presents its annual report covering the results of its operations for approval by the Federal Assembly of the Czech and Slovak Federal Republic within three months following the end of the calendar year. If the Federal Assembly fails to approve it, the National Bank of Czechoslovakia is obligated to submit a more accurate and more complete report in accordance with the requirements of the Federal Assembly within six weeks.

##### **Section 52**

(1) The National Bank of Czechoslovakia conducts its bookkeeping in accordance with special regulations.<sup>6</sup>

(2) The balance sheet of the National Bank of Czechoslovakia is verified by auditors.

(3) For purposes of publication, the National Bank of Czechoslovakia issues its annual report which contains basic data regarding the development of the currency.

(4) The National Bank of Czechoslovakia processes and makes available for publication a statement on its financial position every 10 days.

#### **PART 11. GENERAL PROVISIONS**

##### **Section 53**

All banking operations engaged in by the National Bank of Czechoslovakia, including the status of the accounts which it maintains, are subject to the banking secrecy laws.

##### **Section 54**

(1) Employees of the National Bank of Czechoslovakia are obligated to maintain secrecy in official matters. This duty persists even after termination of employment or another similar relationship. Members of the Bank Executive Board, employees of the Federal Center and of the special-purpose obligational units at the Federal Center of the National Bank of Czechoslovakia may be relieved of this obligation in the public interest by the governor. Employees of the republic centers, branch offices, and other special-purpose organizational units of the National Bank of Czechoslovakia may be relieved of this obligation in the public interest by the vice governor of the appropriate republic center.

(2) The duty to maintain secrecy regarding any facts which come to their attention as a result of the execution of their function also applies to members of the advisory board.

(3) Employees of the National Bank of Czechoslovakia may act in management, oversight, and control organizations of commercial corporations and banks only with the approval of the Bank Executive Board (Section 5, Paragraph (2), Letter g)).

#### **PART 12. TRANSITORY AND TERMINAL PROVISIONS**

##### **Section 55**

(1) Bank notes and coins which were in circulation as legal tender on the day this law becomes effective, on the basis of special regulations,<sup>14</sup> are considered to be legal tender in the meaning of Section 21 of this law.

(2) The opportunity to exchange invalid bank notes, as stipulated in special regulations,<sup>15</sup> remains untouched by this law.

##### **Section 56**

(1) The provisions of Law No. 563/1990 Sb. on budgetary regulations of the federation, with the exception of Section 8, Paragraph (3), Section 11, Paragraph (3), Sections 15, 16, and 18, are applicable to the National Bank of Czechoslovakia. Law No. 156/1989 Sb. on payments to the state budget, with the exception of Sections 7, 8, 10, 15, 19, 21, and 25, are also applicable to the National Bank of Czechoslovakia.

(2) The issuing of securities in accordance with Section 38 and Section 41, Letter d), of this law is not subject to permission by the Federal Ministry of Finance.

##### **Section 57**

The following legislation is rescinded:

1. Law No. 130/1989 Sb. on the National Bank of Czechoslovakia;

2. Section 24, Paragraph (1), of Law No. 156/1989 Sb. on payments to the state budget;

3. Sections 2, 3, and 9 of Law No. 41/1953 Sb. on the monetary reform, as amended by the Legal Provisions of the Presidium of the National Assembly No. 25/1961 Sb., which amends Law No. 41/1953 Sb., Law No. 175/1988 Sb., which amends Law No. 144/1970 Sb. on the National Bank of Czechoslovakia, and Law No. 130/1989 Sb. on the National Bank of Czechoslovakia;

4. Government Decree No. 35/1954 Sb. on commemorative coins, as amended by Law No. 130/1989 Sb. on the National Bank of Czechoslovakia;

5. Decree No. 302/1991 Sb. on principles for setting remuneration levels for the provision of monetary services.

### Section 58

This law become effective on 1 February 1992.

### Footnotes

1. For example, Law No.—/1991 Sb. on banks and Foreign Exchange Law No. 528/1990 Sb., as modified by subsequent regulations.
2. Foreign Exchange Law No. 528/1990 Sb., as modified by subsequent regulations.
3. Section 8 of Law No. 131/1989 Sb. on SBIRKA ZAKONU.
4. Law No.—/1991 Sb. on banks.
5. Section 19, Paragraph (2), of Law No. 530/1990 Sb. on bonds.
6. Law No. 563/1991 Sb. on accounting.
7. The foreign exchange law, Law on Small Business Activities (Small Business Code) No. 455/1991 Sb.
8. Law No. 405/1991 Sb. on control in the CSFR, Part Two.
9. Section 3, Paragraphs (3) and (4), of Law No. 405/1991 Sb.
10. Section 19 of Law No. 405/1991 Sb.
11. Sections 22 through 26 of Law No. 405/1991 Sb.
12. Foreign Exchange Law No. 528/1990 Sb., as modified by subsequent regulations.
13. Law No. 71/1967 Sb. on administrative proceedings (Administrative Code), as modified by subsequent regulations.
14. Decrees on the issuance and withdrawal of bank notes, coins, and commemorative silver coins, published in SBIRKA ZAKONU as of 1 July 1953 to the day this law becomes effective.
15. Decree No. 8/1988 Sb. of the Federal Ministry of Finance on withdrawing bank notes with a face value of Kcs10 of the 1960 design.

Decree No. 412/1990 Sb. of the National Bank of Czechoslovakia on withdrawing bank notes with a face value of Kcs100 of the 1989 design.

Decree No. 413/1990 Sb. of the National Bank of Czechoslovakia on withdrawing bank notes with a face value of Kcs50 of the 1964 design and with a face value

of Kcs20 of the 1970 design, and dealing with the supplemental exchange of bank notes with a face value of Kcs10 of the 1960 design.

### Law on Banks

92CH0309B Prague HOSPODARSKE NOVINY  
(supplement) in Czech 21 Jan 92 pp 13-14

["Text" of law on banks, approved by the Federal Assembly, effective 1 February]

[Text] The Federal Assembly of the Czech and Slovak Federal Republic has agreed on the following law:

## PART ONE. BASIC PROVISIONS

### Section 1

(1) For purposes of this law, banks are understood to be legal entities with a seat in the Czech and Slovak Federal Republic established as a stock corporation<sup>1</sup> or a state monetary institute according to this law (Section 35) which:

- a) Accept deposits from the public, and
- b) Provide credits,

And which are permitted to operate as a bank (Section 4) for purposes of carrying out the activities listed under Letters a) and b) above.

(2) For purposes of this law, the following are understood to exist:

- a) Monetary resources which are deposited in trust and which represent an obligation by the bank to pay them to the depositor.
- b) Monetary resources made available on the basis of a credit of any type.

(3) In addition to the activities listed in Section 1, Paragraph (1), Letters a) and b), above, a bank may engage in the following additional activities, provided the permit to act like a bank does not indicate otherwise:

- a) It may invest in securities for its own account.
- b) It may engage in financial leasing.
- c) It may engage in payments contacts and accounting activities.
- d) It may issue payment resources, for example, payment cards, traveler's checks.
- e) It may provide guarantees.
- f) It may open letters of credit.
- g) It may handle encashments.
- h) It may engage in commercial transactions for its own account or for the account of a client:

1. Involving foreign exchange values.

2. In the area of time-limited business transactions (futures) and options, including foreign exchange and interest-bearing transactions.

3. Involving transferable securities.

i) It may participate in issuing stock certificates and in rendering related services.

j) It may participate in financial brokerage activities.

k) It may provide consultations in regard to business matters.

l) It may handle securities for a client for his own account, including managing his portfolio.

m) It may store and administer securities or other valuables.

n) It may perform the function of a depositor of an investment fund.

o) It may engage in exchange activities (purchasing foreign exchange resources).

p) It may provide banking information.

r) It may rent safe deposit boxes.

(4) The implementation of some of the activities listed in Paragraph (3) above may be tied to the granting of requisite permits by a special law.

(5) The banking activities listed in Paragraph (1), Letters a) and b), and in Paragraph (3) above may also be engaged in by branch offices of foreign banks which hold the appropriate permits in accordance with Section 5.

(6) The legal standing of the National Bank of Czechoslovakia is regulated by a special law.<sup>2</sup>

### Section 2

Without a permit to act like a bank, no one may accept deposits from the public, provided a special law does not specify otherwise.

### Section 3

(1) The words "bank" or "savings bank," their translation, or words whose bases contain these words may be utilized in the trading name only by a legal entity who has been granted permission to act like a bank, as long as it is not clear from the context in which the word "bank" or "savings bank" is used that that entity is not engaged in activities listed in Section 1, Paragraph (1), above.

(2) The provisions of Paragraph (1) are not applicable to legal entities whose trading name or appellation is introduced or recognized by law or by international treaty.

## PART TWO. PERMISSION TO ACT LIKE A BANK

### Section 4

(1) The application for permission to act like a bank is submitted to the National Bank of Czechoslovakia. The application is accompanied by a copy of the proposed statutes. The details of the requirements of such applications, as well as the minimum size of the basic capitalization, for stock corporations, this is the minimum size of their subscribed basic capitalization (hereinafter referred to as "basic capitalization"), which make up the conditions for granting permission, shall be spelled out by the National Bank of Czechoslovakia by means of measures<sup>3</sup> which it will publish in SBIRKA ZAKONU [SB].

(2) Permission to act as a bank is decided upon by the National Bank of Czechoslovakia, in agreement with the Federal Ministry of Finance and the ministry of finance of that republic on whose territory the bank will have its seat. The decision to grant permission to act as a bank is to be signed by the governor of the National Bank of Czechoslovakia and by the vice governor entrusted with managing the National Bank of Czechoslovakia center for the appropriate republic.

(3) The granting of permission is predicated upon judging:

a) The origin, adequacy, and composition of the basic capitalization and other financial resources of the bank.

b) The specialized suitability and the blameless civic record of persons proposed for the management of the bank.

c) The technical and organizational prerequisites for the execution of the proposed banking activities.

d) The realistic nature of the economic calculations relating to future liquidity and profitability of the bank.

e) The economic expediency of the bank.

### Section 5

(1) A foreign bank which intends to establish a branch on the territory of the Czech and Slovak Federal Republic shall submit an application for permission to act as a bank to the National Bank of Czechoslovakia.

(2) The National Bank of Czechoslovakia shall decide regarding the granting of permission as outlined in Paragraph (1) in agreement with the Federal Ministry of Finance and the ministry of finance of that republic on whose territory the branch office of a foreign bank is to have its seat.

(3) The decision to grant permission is made following the evaluation of:

a) The size of the capital and other financial resources made available to the branch office by the foreign bank.

- b) The technical and organizational prerequisites for executing the proposed activities.
- c) The professional suitability and the civil clean record of the individuals proposed to manage the branch.
- d) The realistic nature of any economic calculations.
- e) The economic need for such activity.
- f) Reciprocity in permitting the functioning of Czechoslovak banks in the country in which the founding foreign bank has its seat.

(4) The details pertaining to the application, as well as the minimum size of the capitalization made available, are set by the National Bank of Czechoslovakia,<sup>3</sup> which will publish them in SBIRKA ZAKONU.

#### Section 6

- (1) Permission to act as a bank is granted for an indefinite time and is not transferable to another individual.
- (2) The permit to act as a bank may either prohibit or limit the execution of some activities listed in Section 1, Paragraph (3).

#### Section 7

The National Bank of Czechoslovakia maintains a complete listing of banks and branch offices of foreign banks which are active on the territory of the Czech and Slovak Federal Republic. The listing may be seen at all offices of the National Bank of Czechoslovakia.

### PART THREE. ORGANIZATION OF A BANK

#### Section 8

- (1) A bank must have a statutory organ<sup>1</sup> and an oversight council.
- (2) The statutory organ must consist of at least three members. The oversight council must have at least three members; a member of the oversight council must not be an employee of the same bank.
- (3) The authorities of the statutory organ and the oversight council must be listed in the statutes.

#### Section 9

- (1) In its statutes, a bank is also obligated to regulate the following:
  - a) The structure and organization of the bank.
  - b) The authorities and responsibilities of its leading employees.
  - c) The authorities and responsibilities of additional employees of the central office and the branch offices, or possibly of other organizational units of the bank authorized to engage in banking transactions.
  - d) The system of internal control.

- (2) Verified copies of the statutes and their changes must be deposited with the National Bank of Czechoslovakia.

#### Section 10

Banks and branch offices of foreign banks are recorded in the Commercial Register and are obligated to deposit extracts from the Commercial Register with the National Bank of Czechoslovakia.

### PART FOUR. OPERATING REQUIREMENTS

#### Section 11

Banks and branch offices of foreign banks are obligated to provide information in their operating facilities in written form in the Czech or Slovak language regarding the conditions for accepting deposits, for granting credits, and for other banking transactions and services. The provisions of Section 273, Paragraph (1), of the Commercial Code are not impacted as a result of this requirement.

#### Section 12

Banks are obligated to maintain the stipulated ratio between capital and reserves and the assets or possibly obligations of the bank (Section 15).

#### Section 13

Banks are obligated to assure that:

- a) Credits granted to a single debtor, or possibly to an economically connected group of debtors, do not exceed the stipulated percentage of the capital and the reserves (Section 15).
- b) The total amount of credits granted to 10 of the largest debtors, or possibly to 10 of the largest economically connected groups of debtors, does not exceed the stipulated percentage of the total volume of capital and reserves of the bank.

#### Section 14

Banks are obligated to permanently maintain their solvency in Czechoslovak currency and in foreign currencies. For this purpose, they are obligated to adhere to stipulated rules of liquidity and safe operations (Section 15); these rules may provide special regulation of:

- a) The minimum size of liquid resources, or the group of such resources, in relationship to assets or in relationship to liabilities, or possibly in relation to a group of assets or liabilities; this duty may be discharged also by maintaining a stipulated amount of resources with the National Bank of Czechoslovakia.
- b) Limitations and conditions for granting some types of credits or making some kinds of investments, deposits, guarantees, and obligations.
- c) Limitations and conditions aimed at harmonizing the repayment conditions of assets and liabilities.



d) Limitations and conditions governing unsecured foreign exchange positions.

#### Section 15

The rules according to Sections 12 through 14, as well as the definition of capital, reserves, assets, and unsecured foreign exchange positions and the extent to which branch offices of foreign banks are subject to these rules, are set by the National Bank of Czechoslovakia which will publish them as its measures<sup>3</sup> in SBIRKA ZAKONU.

#### Section 16

(1) Prior approval by the National Bank of Czechoslovakia is required:

- a) For property participation by a foreign national in a bank which has already been established.
- b) For merging, affiliation, or breaking up of a bank, as well as for a reduction in the basic capitalization of a bank, provided this reduction is not based on losses.
- c) For the transfer of a participant share greater than 15 percent of basic capitalization of the bank, executed in one or several operations, to any one individual or several individuals acting in concert.

(2) The provisions of Paragraph (1), Letter b), do not impact upon the provisions of a special regulation.<sup>4</sup>

#### Section 17

(1) Without prior approval by the National Bank of Czechoslovakia, a bank is not permitted to:

- a) Purchase securities or acquire participating shares, the total of which exceeds 10 percent of the basic capitalization of a legal entity which is not a bank in accordance with this law.
- b) Purchase securities or acquire participating shares in legal entities which are not banks as defined by this law, the total of which exceeds 25 percent of the capital and reserves of the bank.

(2) The prohibitions outlined in Paragraph (1) above do not apply to:

- a) The acquisition of securities and other participating shares, if this is the manner in which a previously granted credit is being paid off; in such a case, the bank is obligated to sell off these securities or shares which have been so acquired within two years, provided the National Bank of Czechoslovakia does not permit an extension of this target date.

b) The acquisition of securities for purposes of resale to third parties.

(3) In granting commercial credits, consumer credits, and in collecting savings deposits, no bank is permitted to have more than a 30-percent share in the relevant

market. In the event a mutually interconnected group of banks is involved, this provision applies to the entire group.

(4) Banks are obligated to fulfill the provisions outlined in Paragraph (3) above at the latest within three years of the day this law becomes effective.

#### Section 18

(1) A bank must not engage in business transactions with persons with whom it has a special relationship (Section 19), transactions, which as a result of their nature, purpose, or the risk involved, would not be undertaken with the other clients.

(2) The bank will grant credits to persons listed in Paragraph (1) above only if the statutory organ so decides, on the basis of analyzing the appropriate banking transaction and the financial situation of the applicant.

#### Section 19

(1) For purposes of this law, the following individuals are considered to have a special relationship with the bank:

- a) Members of the statutory organ and bank directors.
- b) Members of the bank oversight council.
- c) Legal entities having control over the bank, their principal stockholders, and members of the management of these corporations.
- d) Next of kin<sup>5</sup> of members of the statutory organ, the oversight council, the bank directors, and persons having control over the bank.
- e) Legal entities in which any one of the individuals listed under Letters a, b, and c has more than a 10-percent share in the basic capitalization.
- f) The principal stockholders of the bank and any kind of legal entity under their control.
- g) Members of the banking board of the National Bank of Czechoslovakia.

(2) According to this law, control over a bank or over another legal entity is understood to mean the ownership of more than 50 percent of its securities or other participating shares or the authority to elect the statutory organ of the bank or exerting decisive influence in another way upon the management of the bank or the legal entity involved. A principal stockholder is understood to be an owner of more than 10 percent of the securities or other participating shares.

#### Section 20

The size of a credit, which is not secured by a mortgage, granted by the bank to any of its employees must not exceed that employee's total gross income for two years.

The total amount of credits granted by a bank to its employees must not exceed 5 percent of the basic capitalization of the bank.

## **PART FIVE. BOOKKEEPING AND COMMERCIAL DOCUMENTATION**

### **Section 21**

(1) A bank, as well as the branch office of a foreign bank, is obligated to keep its books in accordance with a special law.<sup>6</sup>

(2) In the event the bank has a participating share in one or several commercial corporations or other legal entities which exceeds 20 percent of the basic capitalization, its accounting documentation must also contain cumulative data regarding these commercial corporations or other legal entities.

### **Section 22**

(1) Through the services of auditors, according to a special law, the bank is obligated to assure:

- a) Verification of the annual balance sheet of the bank.
- b) Verification of the management of the bank for the appropriate year.
- c) Working out of a report on the verification of the balance sheet and the management of the bank.

(2) The bank is obligated to notify the National Bank of Czechoslovakia of the auditors it has selected; the National Bank is authorized to reject these auditors within 30 days of receiving this notification. The bank is obligated to notify the National Bank of Czechoslovakia of new auditors within 15 days of the above rejection.

(3) Persons who have a special relationship with the bank in accordance with Section 19, Paragraph (1), above may not be selected as auditors.

(4) In the event shortcomings are determined to exist, the report outlined in Paragraph (1), Letter c), above must state what kind of influence these shortcomings had on the management and liquidity of the bank and upon the creation and distribution of the economic results.

### **Section 23**

The bank is obligated to publish the data contained in the annual balance sheet which has been verified in accordance with Section 22 by a method stipulated in special regulations and to issue the annual report for purposes of publication.

### **Section 24**

(1) Banks and branch offices of foreign banks are obligated to archive documentation regarding accomplished commercial transactions; in the case of transactions which exceed a value of 100,000 korunas [Kcs], they are obligated to archive these documents for at least five years.

(2) Banks and branch offices of foreign banks are obligated to work out and submit to the National Bank of Czechoslovakia information and documentation, the content, form, breakdown, deadlines, and methods of submission are prescribed by the National Bank of Czechoslovakia.<sup>2</sup>

(3) In the event a bank has property participation in one or more commercial corporations or other legal entities in excess of 20 percent of basic capitalization, the information and documentation outlined in Paragraph (2) above must also contain data pertaining to these commercial corporations or other legal entities.

## **PART SIX. REMEDIAL PROVISIONS AND SANCTIONS**

### **Chapter One**

#### **Section 25**

The activities of banks and branch offices of foreign banks are subject to banking oversight, conducted by the National Bank of Czechoslovakia.<sup>2</sup>

#### **Section 26**

(1) In the event the National Bank of Czechoslovakia determines that shortcomings exist in the activities of banks or branch offices of foreign banks which consist of violation of the conditions stipulated in the permission to act as a bank, as well as being violations of this law, of special laws,<sup>7</sup> of legal regulations and provisions issued by the National Bank of Czechoslovakia, it shall impose:

a) Measures aimed at rectifying the determined shortcomings; it will particularly order the limitation or termination of some activities, it will temporarily or permanently lift the permission granted to engage in some activities, it will introduce compulsory administration, according to Part Six, Chapter Two, or will rescind the permission to act as a bank, according to Part Six, Chapter Three.

b) A fine, depending on the severity of the determined shortcomings, not to exceed Kcs5 million.

(2) The National Bank of Czechoslovakia may impose a fine as outlined in Paragraph (1), Letter b), even on individuals who have violated the provisions of Section 2 or 3.

(3) Imposition of a fine according to Paragraph (1), Letter b), above does not impact on the responsibilities outlined in other legal regulations.

(4) The proceedings involved in imposition of a fine according to Paragraph (1), Letter b), above are subject to regulations on administrative proceedings. Protests against the decision to impose fines are decided by the banking board of the National Bank of Czechoslovakia.

(5) Imposed fines become revenue for the state budget of the republic on whose territory the bank or the branch office of a foreign bank has a seat or the entity defined in

Paragraph (2) has a seat or domicile; if the entity has neither a seat nor a domicile on the territory of one of the republics, the imposed fines become revenue for the state budget of the republic on whose territory the violation of Section 2 or 3 occurred.

(6) Fines according to Paragraph (1), Letter b), above may be imposed up to one year from the time the shortcomings were detected, but no later than 10 years from the day the shortcomings originated.

## **Chapter Two. Compulsory Administration**

### **Section 27**

In the event the financial situation and liquidity of a bank is expressly or repeatedly in conflict with the requirements stipulated in this law and if remedial measures or sanctions applied in accordance with this law or which were asserted at a previous time have not led to rectification, the National Bank of Czechoslovakia may decide to impose compulsory administration upon the bank.

### **Section 28**

The decision regarding the introduction of compulsory administration shall contain:

- a) The reasons for the compulsory administration.
- b) The name of the designated administrator.
- c) The duration of the compulsory administration.
- d) The possible limitation or prohibition of accepting deposits and granting credits.
- e) The possible partial or complete temporary prohibition to handle client deposits within the bank.

### **Section 29**

(1) Compulsory administration becomes effective on the day it is recorded in the Commercial Register. This day must be preceded by publication of the decision by the National Bank of Czechoslovakia in the Commercial Register.<sup>1</sup>

(2) The appointment of an administrator temporarily halts the execution of the function of the statutory organ of the bank for the duration of the compulsory administration. The administrator has the standing of the statutory organ.

### **Section 30**

The administrator is authorized to take measures which are essential to the renewal of the stability and liquidity of the bank, including the closing of branch offices or other organizational units of the bank.

### **Section 31**

If the situation of the bank so requires, the administrator may, with the prior approval of the National Bank of

Czechoslovakia, partially or completely stop clients from disposing of their deposits at the bank for a maximum period of one year, provided measures are taken which are aimed at preserving the value of these deposits. The obligation of the bank to pay interest on these deposits is not impacted by this provision.

### **Section 32**

(1) During the period of compulsory administration, the National Bank of Czechoslovakia may grant the bank financial assistance in order to eliminate the temporary shortage of liquidity.

(2) The claim involved in the return of the financial assistance rendered in accordance with Paragraph (1) above has priority over all other obligations of the bank.

### **Section 33**

(1) Compulsory administration terminates:

a) By lifting compulsory administration if the reasons for its duration have passed.

b) Upon the expiration of the stipulated time, provided this time has not been extended.

c) As a result of the rescission of the permission to act like a bank.

(2) Termination of compulsory administration becomes effective on the day it is recorded in the Commercial Register.<sup>1</sup>

## **Chapter Three. Withdrawal of Permission To Act Like a Bank**

### **Section 34**

(1) If serious shortcomings involving the activities of a bank or a branch office of a foreign bank persist, the National Bank of Czechoslovakia can, in consultation with the Federal Ministry of Finance and the ministry of finance of the republic on whose territory the bank or the branch office of the foreign bank has its seat, withdraw the permission to act like a bank; this measure need not be preceded by the introduction of forced administration.

(2) Permission to act like a bank can also be withdrawn:

a) If the basic capitalization is reduced as a result of losses by more than 50 percent in one year or by more than 10 percent annually for a period of three years in succession.

b) If the bank has not been accepting deposits from the public for more than 18 months.

c) If permission had been obtained on the basis of false data listed in the application.

d) If the branch office of a foreign bank is involved and if that bank has lost the authorization to act like a bank in the country where it has its seat.

**Section 35**

(1) The decision to withdraw permission as outlined in Section 34 above shall contain the date as of which permission to act like a bank is withdrawn; this day must be preceded by publication of the decision by the National Bank of Czechoslovakia in the *COMMERCIAL GAZETTE*<sup>1</sup> and, in the case of the branch office of a foreign bank, also by notifying the organ responsible for bank oversight in the appropriate country.

(2) As of the day the decision to withdraw permission to act like a bank becomes effective, the impacted legal entity may not accept deposits and grant credits and engage in other activities, with the exception of those which are essential to the settlement of its invoices and obligations; until such time as it has settled its invoices and obligations, this entity is considered to be a bank according to this law.

**PART SEVEN. SPECIAL PROVISIONS  
APPLICABLE TO BANKS ESTABLISHED AS  
STATE MONETARY INSTITUTIONS**

**Section 36**

(1) A central organ of state administration may establish a bank as a state monetary institution. This establishment is subject to permission granted by the National Bank of Czechoslovakia, in agreement with the Federal Ministry of Finance and the ministry of finance of that republic on whose territory this bank will have its seat, provided one of these organizations is not the founder; this action is taken on the basis of an application, the details of which are in agreement with the details of the application listed in Section 4, Paragraph (1).

(2) The founder of a bank established as a state monetary institution:

- a) Safeguards the basic capitalization.
- b) Issues statutes.
- c) Appoints and recalls the statutory organ composed of three members.
- d) Appoints and recalls the oversight council.
- e) Confirms the annual balance sheet of the bank.
- f) Decides on the breakup, amalgamation, merger, or disestablishment of the bank.

(3) The breakup, merger, amalgamation, or disestablishment of a bank must not be accomplished to the detriment of its creditors and requires recordation in the Commercial Register. This provision does not affect the provisions of special regulations.<sup>4</sup>

(4) If the bank becomes defunct as a result of amalgamation or merger, its property and obligations pass to the bank which is taking over.

**PART EIGHT. COMMON PROVISIONS****Section 37**

Banks provide services to clients on the basis of contractual agreements. The bank is obligated to require that the client identify himself on the occasion of each commercial transaction whose value exceeds Kcs100,000 and when renting a safety deposit box. The bank may reject the idea of providing services to the client if anonymity of the client is required.

**Section 38**

(1) The banking secrets act is applicable to all bank transactions, monetary services, including the status of accounts and deposits.

(2) The bank is obligated to report on all matters which are the objects of banking secrecy to individuals entrusted with the execution of bank oversight.

(3) Reports on matters having to do with a client, which are the object of banking secrecy, shall be issued by the bank without the approval of the client only upon written request:

- a) To the courts for purposes of civil court proceedings.<sup>8</sup>
- b) To organs active in criminal proceedings<sup>9</sup> in cases of criminal prosecution.
- c) To financial organs in matters of tax proceedings in which the client is a participant.

The written request must contain data according to which the bank is able to identify the appropriate matter.

(4) The authorizations enjoyed by the state notary system, in accordance with the special regulation governing inheritance proceedings,<sup>10</sup> remain unaffected.

(5) The bank is entitled to be compensated for substantive costs for providing the report outlined in Paragraph (3), Letter a), and Paragraph (4).

**Section 39**

(1) Bank employees, as well as members of the oversight council and persons engaged in bank supervision, are obligated to maintain secrecy with respect to official matters impacting upon the interests of the bank and its clients. For reasons listed in Section 38, Paragraphs (2), (3), and (4), the statutory organ may relieve them of this duty.

(2) The duty to maintain secrecy persists even after termination of employment or of another similar relationship.

**Section 40**

(1) The application for permission to act like a bank or for approval according to this law is submitted by the applicant in writing to the National Bank of Czechoslovakia.

(2) Applications for granting of approval according to this law shall be decided on within three months; applications for granting of permission to act like a bank shall be acted upon at the latest six months after the complete application has been delivered.

#### Section 41

(1) Protests against the decisions by the National Bank of Czechoslovakia shall be decided upon by the banking board of the National Bank of Czechoslovakia. Protests against a decision by the National Bank of Czechoslovakia, made in agreement with the Federal Ministry of Finance and the Ministry of Finance of the Czech Republic or the Ministry of Finance of the Slovak Republic, are decided upon by the banking board of the National Bank of Czechoslovakia, in agreement with the minister of finance for the Czech and Slovak Federal Republic and the minister of finance of the appropriate republic. A submitted protest does not have any delaying effect.

(2) Proceedings involving applications for and withdrawal of permission to act like a bank in accordance with this law are subject to regulations on administrative proceedings<sup>11</sup> insofar as this law does not specify otherwise.

### PART NINE. TRANSITORY AND CONCLUDING PROVISIONS

#### Section 42

Legal entities which act like banks or savings institutions in accordance with Law No. 158/1989 Sb. on banks and savings institutions are considered to be banks as of the day this law becomes effective.

#### Section 43

Loans granted to banks in accordance with existing regulations are considered to be credits according to this law.

#### Section 44

(1) Until such time as the legal modifications pertaining to insuring deposits and interest on the deposits of physical entities by banks and branches of foreign banks becomes effective, the deposits by these individuals are guaranteed by:

a) The Czech and Slovak Federal Republic in the case of deposits with the Bank of Commerce in Prague, the General Credit Bank in Bratislava, the Small Business Bank in Prague, and the Investment Bank in Prague.

b) The Czech Republic in the case of deposits made with the Czech State Savings Institution in Prague.

c) The Czech Republic in the case of deposits made with the Slovak State Savings Institution in Bratislava.

(2) Interest on the deposits of private individuals is subject to the provisions of Paragraph (1) above.

(3) The provisions of Paragraphs (1) and (2) apply also to the legal successors of the banks listed in Paragraph (1), Letters a), b), and c).

(4) Insurance of deposits and interest on deposits of private individuals by banks and branches of foreign banks is regulated by special law.

#### Section 45

If a bank is obligated, according to legal regulations which were issued prior to the effective date of this law, to grant credits under stipulated conditions and if, as a result, it suffers a property loss, the bank continues to enjoy the right to be compensated for this loss out of the state budget to which it has a payments or tax obligation.

#### Section 46

Law No. 158/1989 Sb. on banks and savings institutions is rescinded.

#### Section 47

This law becomes effective on 1 February 1992.

#### Footnotes

1. Commercial Code No. 513/1991 Sb.
2. Law No.—/1991 Sb. on the National Bank of Czechoslovakia.
3. Section 8 of Law No. 131/1989 Sb. on SBIRKA ZAKONU.
4. Law No. 63/1991 Sb. on the protection of economic competition.
5. Section 116 of Civil Code No. 40/1964 Sb., as modified by subsequent regulations.
6. Law No. 563/1991 Sb. on bookkeeping.
7. Law No.—/1991 Sb. on the National Bank of Czechoslovakia. Foreign Exchange Law No. 528/1991 Sb., as modified by subsequent regulations.
8. Civil Code No. 99/1963 Sb., as modified by subsequent regulations.
9. Law No. 141/1961 Sb. on criminal court proceedings (Criminal Code), as modified by subsequent regulations.
10. Law No. 95/1963 Sb. on the state notary system and on proceedings before the state notary system (Notarial Code), as modified by subsequent regulations.
11. Law No. 71/1967 Sb. on administrative proceedings (Administrative Code), as modified by subsequent regulations.

#### Law on Environment

92CH0263A Prague HOSPODARSKE NOVINY  
in Czech 23 Dec 91 pp 16-17

["Text" of law on environment]

[Text]

#### Law of 5 December 1991

The Federal Assembly of the Czech and Slovak Federal Republic, starting with the fact that man is an inseparable

part of nature together with the other organisms, bearing in mind the natural mutual dependency of man and the other organisms, respecting in this the right of man to transform nature in keeping with the principle of permanently sustainable development, conscious of our responsibility for preserving a favorable environment for future generations, and emphasizing the right to a favorable environment as one of man's basic rights, has passed the following law:

### Section 1

#### Purpose of the Law

This law defines the basic concepts and establishes the basic principles for protecting the environment and the duties of legal and physical persons in the protection and improvement of the state of the environment and in utilizing natural resources; in doing so, it starts from the principle of permanently sustainable development.

### BASIC CONCEPTS

#### Section 2

##### The Environment

The environment is everything that forms the natural conditions for the existence of organisms, including man, and is the prerequisite for their further development. Its components are, in particular, the atmosphere, water, minerals, soil, organisms, ecosystems, and energy.

#### Section 3

##### The Ecosystem

The ecosystem is a functional system of living and inanimate components of the environment which are mutually connected by the exchange of materials, the flow of energy, and the transfer of information and which influence each other and develop in a given space and time.

#### Section 4

##### Ecological Stability

Ecological stability is an ecosystem's capability to equalize changes caused by external factors and to maintain its natural functional properties.

#### Section 5

##### Bearable Burden on the Land

The bearable burden on the land is that impact of human activities on the land which does not result in damage to the environment, especially its components, the functioning of ecosystems, or ecological stability.

### Section 6

#### Permanently Sustainable Development

Permanently sustainable development of society is that development which preserves for the current and future generations the opportunity of satisfying their basic needs of life and at the same time does not reduce the variety of nature and preserves the natural functioning of ecosystems.

### Section 7

#### Natural Resources

(1) Natural resources are those parts of live and inanimate nature which man utilizes or can utilize to meet his own needs.

(2) Renewable natural resources have the capability of partially or completely renewing themselves after gradual consumption, either by themselves or with man's help. Nonrenewable natural resources cease to exist upon being consumed.

### Section 8

#### Polluting and Harming the Environment

(1) Pollution of the environment is the introduction of those physical, chemical, or biological factors into the environment as a consequence of human activities which are foreign to a given environment in terms of their substance or quantity.

(2) Harming the environment is making its condition worse by polluting or other human activity beyond the degree established by specific regulations.

### Section 9

#### Protection of the Environment

Protection of the environment includes activities by which pollution of or harm to the environment is prevented or the pollution or harm is limited and corrected. It includes the protection of its individual components, types of organisms, or specific ecosystems and their mutual interconnections, but also the protection of the environment as a whole.

### Section 10

#### Ecological Deterioration

Ecological deterioration is the loss or weakening of natural functions of ecosystems caused by damage to their components or a disruption of the internal interconnections and processes as a consequence of human activities.

## PRINCIPLES OF PROTECTING THE ENVIRONMENT

### Section 11

The land cannot be affected by human activities beyond the degree of a bearable burden.

### Section 12

(1) The permissible degree of pollution of the environment is determined by the limiting values established by specific regulations; these values are established in keeping with the level of knowledge reached so that there will be no threat to people's health and so that other living organisms and the other components of the environment will not be threatened.

(2) The limiting values must be established with a regard to the possible cumulative effect or the interaction of polluting materials and activities.

### Section 13

If it is possible, with regard to all the circumstances, to predict that a danger of irreversible or serious harm to the environment is threatening, any doubt about whether such harm will actually take place cannot be allowed to be a reason for putting off the measures which are supposed to prevent the damage.

### Section 14

Everyone has the right to regular and adequate information on the status and development of the environment and the reasons for and consequences of that status, to information on planned activities which could lead to a change in the status of the environment, and to information on measures which the agencies responsible for the protection of the environment are undertaking to prevent or repair damage to the environment. A specific regulation will establish the cases when it is possible to limit or refuse providing such information.

### Section 15

Anyone can, in the established manner, put in a claim to the appropriate agencies for his rights arising from this law and other regulations governing matters of the environment.

### Section 16

Training, adult education, and schooling will be carried out so that they will lead to thought and behavior which is in keeping with the principle of permanently sustainable development, to an awareness of responsibility for maintaining the quality of the environment and its individual components, and to respect for life in all its forms.

## DUTIES IN PROTECTING THE ENVIRONMENT

### Section 17

(1) Everyone is obliged, mainly by actions taken right at the source, to prevent the pollution of or damage to the environment and to minimize the undesirable effects of their actions on the environment.

(2) Everyone who makes use of the land or natural resources or designs, builds, or removes construction projects is obliged to perform such activities only after an assessment of their effects on the environment and the impact on the land, to the extent required by this law and the specific regulations.

(3) Everyone who intends to put into production, circulate, or consume any technology, products or materials or who intends to import them is obliged to ensure that they meet the conditions for environmental protection and, in cases established by this law and the specific regulations, that they be evaluated from the standpoint of their possible effects on the environment.

### Section 18

(1) Anyone who by his activities pollutes or harms the environment or who utilizes natural resources is obliged to provide a study of that action at his own expense and to know its possible consequences.

(2) Legal persons and physical persons authorized to undertake an enterprise are obliged, to the extent of and under the conditions established by the specific regulations, to provide information on its effects on the environment.

### Section 19

Anyone who discovers that there is a threat of harm to the environment or that it has already taken place is obliged to take the essential actions to avert the threat or to mitigate the results, within the limits of his abilities, and to report these facts without delay to the agencies of state administration; the duty of taking action does not extend to anyone who would thereby endanger his life or health or that of persons close to him.<sup>1</sup>

## EVALUATING THE EFFECTS OF ACTIVITIES ON THE ENVIRONMENT

### Section 20

(1) Plans to carry out the activities contained in Section 17, paragraphs (2) and (3) (hereafter called just "plans") undergo an evaluation from the standpoint of their possible effects on the environment (hereafter called just "an evaluation of plans") according to the specific regulations.<sup>2</sup>

(2) The principles of protection of the environment and evaluation of the effect of activities on and their consequences for the environment are also appropriately applied in planning developmental concepts and programs, as well as proposals for legal regulations.

### Section 21

(1) Evaluating plans contained in Appendix 1 of this law is performed by the appropriate agencies of the state administration as designated by law by the Czech National Council and the Slovak National Council (hereafter called just "the evaluating agencies") after discussions with the other agencies of state administration involved, with the municipalities whose territory is affected by the plans, and with the public. An evaluation of the effects of the plans is worked up in accordance with Appendix 2 of this law.

(2) The details will be established by laws of the Czech National Council and the Slovak National Council, which can also expand and make more specific the list of activities contained in Appendix 1 of this law (especially determining the extent of those activities) and can make the demands for the content of documentation on the evaluation of the effects of plans on the environment, as contained in Appendix 2 of this law, more strict.

### Section 22

The evaluating agencies study the plans in accordance with the nature of the matter, especially from the standpoint of:

- a) The ecological load bearing capacity of the land affected.
- b) The consequences of routine activities and of possible accidents.
- c) The cumulative and synergistic phenomena over various timespans, with consideration of irreversible phenomena.
- d) The prevention and minimizing of effects or the possible compensating effects of the plans on the environment.
- e) The methods of disposal of the results of the plans which will be used after they have reached the end of their lifespan or been used up (the possibilities for neutralizing them, repairing damage, recycling, etc.).
- f) The methods used for evaluation and the completeness of the information.
- g) A comparison with the best available technologies.

### Section 23

(1) In a case where a proposed plan which is to be implemented on the territory of one republic can be the cause of detrimental effects on the environment of the other republic, the evaluating agency will request a position through the appropriate central agency of the republic. Conflicts which arise will be resolved by the central agencies of the republics by an agreement.

(2) If they cannot reach an agreement, the conflict is resolved by an arbitration commission composed of

representatives of the Czech and Slovak agencies responsible for the protection of the environment and the Federal Committee for the Environment. If the commission does not succeed in reaching a consensual conclusion, the plans are not allowed to be implemented.

### EVALUATING THE EFFECTS OF ACTIVITIES AND THEIR CONSEQUENCES ON THE ENVIRONMENT EXTENDING BEYOND THE STATE BORDERS

#### Section 24

(1) Those proposing plans contained in Appendix 3 of this law are obliged to submit an evaluation of the effects of the plans on the environment from the standpoint of the evaluating agencies (Section 21, paragraph (1)) issuing a territorial decision on the location of construction projects or a territorial decision on the utilization of the land.

(2) An evaluation of the effects of the plans on the environment extending beyond the state borders must in particular include the data contained in Appendix 4 of this law.

#### Section 25

The extent of the evaluation of the effects of plans on the environment will be discussed by the evaluating agencies with the affected agencies of the state administration, the municipalities whose territory is affected by the impact of the plans, and with the public. The completed evaluation of the effects will be discussed in a similar manner.

#### Section 26

(1) The evaluating agencies authorized to issue a position in accordance with Section 21, paragraph (1) in the cases contained in Appendix 3 of this law submit a proposed position to the Federal Committee for the Environment. The Federal Committee for the Environment in those cases where the consequences of the proposed measures can extend beyond the state borders ensures, in agreement with the agencies authorized to issue a position, that there is interstate discussions in accordance with the approved interstate obligations.<sup>3</sup>

(2) At the request of the Federal Committee for the Environment which is based on interstate obligations,<sup>3</sup> the authorized central agencies of the republics' state administrations can establish that plans which otherwise are not subject to an evaluation of their effects on the environment will be judged according to this law.

(3) On the basis of information on plans being made for the territories of other states which through their consequences could harm the environment on the territory of the Czech and Slovak Federal Republic, as submitted by the authorized agencies of those states, the Federal Committee for the Environment will, together with the responsible agencies of the republics, organize an evaluation of the plans in keeping with the approved interstate obligations.<sup>3</sup>



**RESPONSIBILITY FOR VIOLATION OF THE  
OBLIGATIONS TO PROTECT THE  
ENVIRONMENT**

**Section 27**

(1) Anyone who causes ecological harm by damaging the environment or any other illegal actions is required to restore the natural functions of the disrupted ecosystem or its components. If it is not possible or, for serious reasons, useful, he is obliged to repair the ecological harm in another manner (a substitute action); if this is not possible, he is obliged to compensate for the damage in money. The simultaneous application of both compensatory acts is not excluded. The method of calculating ecological damage and other details will be established by a specific regulation.

(2) The authorized agency of the state administration will decide on assigning liability in accordance with paragraph (1).

(3) The state is the complainant for ecological damage done; the details will be established by laws of the Czech National Council and the Slovak National Council.

(4) Where paragraphs (1) through (3) do not state otherwise, municipal regulations on responsibilities for damages and for compensation for damages are used for ecological detriment.

(5) Municipal regulations on responsibilities for damages and for compensation for damages are not affected by paragraphs (1) through (3).

**Section 28**

(1) The environmental agencies can levy fines:

a) Of up to 1,000,000 korunas [Kcs] on a legal or physical person authorized to conduct an enterprise who causes ecological detriment in the course of his activities by a violation of legal regulations.

b) Of up to Kcs500,000 on a legal or physical person authorized to conduct an enterprise who does not take corrective measures or does not notify an agency of state administration (Section 19).

(2) A fine can be levied for up to one year from the day when the environmental agency discovers the violation of duties, but no later than three years from the day when the violation of duties occurred.

(3) Municipal regulations on compensation for damages are not affected by levying a fine.

**Section 29**

For violation of the duties contained in the specific regulations on the protection of the environment, fines are levied or other measures taken in accordance with those regulations; this does not affect any eventual criminal responsibility or responsibility for damage according to the municipal legal regulations.

**Section 30**

The appropriate environmental agencies of the state administration are authorized, in cases where serious harm to the environment threatens or when the harm has already taken place, to make decisions on temporarily halting or limiting activities which can cause this damage or have already caused it for a period of no longer than 30 days (anticipatory measures) and simultaneously to propose measures to correct matters to the agencies of the state administration which have material jurisdiction. The details will be established by specific regulations.

**ECONOMIC INSTRUMENTS**

**Section 31**

Physical or legal persons will pay taxes, fees, levies, and other payments for polluting the environment or its components and for economic utilization of natural resources, if the specific regulations so state.

**Section 32**

The specific regulations will state when legal or physical persons who protect the environment or make use of natural resources in keeping with the principle of permanently sustainable development can be rewarded with adjustments to taxes and fees or by being offered credits and subsidies.

**Section 33**

Environmental funds are also instruments for environmental protection; the details will be established by specific regulations.

**TRANSITIONAL AND FINAL PROVISIONS**

**Section 34**

(1) Utilization of the land or natural resources, construction, technologies, products and materials which do not meet the provisions of this law and the conditions resulting from specific regulations on protecting the individual components of the environment must be brought into compliance with those regulations within the time limits set by them.

(2) If compliance is not achieved within the time limits set by the specific regulations in accordance with paragraph (1), the activity must be restricted or ended. The decision will be issued by the authorized agencies of the state administration.

**Section 35**

This law takes effect on the day of its proclamation.

**Appendix 1****Activities Subject to an Evaluation of Their Effects on the Environment Within the Czech and Slovak Federal Republic****1. Agricultural and Forestry Management**

- 1.1. Large-scale installations for livestock production, including waste deposits.
- 1.2. Large-scale installations for storing agricultural products.
- 1.3. Land improvement actions (draining, irrigation projects, protection against soil erosion, modifications to the terrain, forestry technical improvements to the land).
- 1.4. Actions impacting on the countryside which can cause substantial changes in the biological diversity and in the structure and functions of ecosystems.

**2. The Foodstuffs Industry**

- 2.1. Breweries and malthouses.
- 2.2. Slaughterhouses and meat processing combines.
- 2.3. Starch production plants.
- 2.4. Sugar production plants.
- 2.5. Frozen food plants.
- 2.6. Distilleries.
- 2.7. The fat industry and manufacturing of cleaning products.
- 2.8. The production of milk products.
- 2.9. Canning plants.

**3. The Mining Industry**

- 3.1. Deep and surface coal and lignite mines.
- 3.2. Extraction of petroleum and natural gas.
- 3.3. Peat cutting.
- 3.4. Mining and modifying uranium ore, slag heaps, and tips, including restoration work.
- 3.5. Mining, acquiring, and enriching metal ores.
- 3.6. Mining bitumenous slates.
- 3.7. Mining industrial minerals.
- 3.8. Surface industrial facilities for the modification and processing of coal, natural gas, bitumenous slates, and industrial minerals.
- 3.9. Crude oil refineries, including plants for the regeneration of worn-out mineral oils, and facilities for thermal and chemical processing of coal.

**4. The Energy Industry**

- 4.1. Electrical power plants and other facilities burning fossil fuels.
- 4.2. Other industrial facilities for the production of electricity, steam, and hot water.
- 4.3. Nuclear power plants for electricity and other facilities with nuclear reactors.
- 4.4. Equipment for the conversion, enrichment, and production of nuclear fuel.
- 4.5. Intermediate storage of spent nuclear fuel.
- 4.6. Processing and final storage of highly radioactive wastes.
- 4.7. Processing and storage of low and medium-level radioactive wastes from the operation and decommissioning of nuclear power plants and the use of radioactive nuclides.
- 4.8. Gas pipelines, steam pipelines, and hot water pipelines and their equipment (pumping and transfer stations) and the transmission of electrical energy over above-ground wires.
- 4.9. Long-distance oil pipelines, petroleum product pipelines, and gas pipelines, including the appropriate operating equipment.
- 4.10. Surface storage of natural gas.
- 4.11. Underground storage of combustible gases, petroleum, and products from petroleum and chemicals.
- 4.12. Coal briquet production plants and coke plants.
- 4.13. Hydroelectric plants.

**5. The Metals Industry**

- 5.1. Iron works and steel mills, including foundries, forges, and rolling mills.
- 5.2. Ferrous metallurgy plants.
- 5.3. Surface treatment of metals.
- 5.4. The production and assembly of motorized vehicles, railroad cars, and tank cars.
- 5.5. Shipbuilding.
- 5.6. Facilities for building and repairing aircraft.

**6. The Wood and Paper Industry**

- 6.1. Impregnation of wood using toxic chemicals.
- 6.2. Production of wood fiber panels and plywood.
- 6.3. Production of cellulose and paper.
- 6.4. Furniture production.

## 7. Other Branches

- 7.1. Processing asbestos and asbestos products.
- 7.2. Modification and dyeing of textiles.
- 7.3. Tanneries.
- 7.4. Glassworks.
- 7.5. The chemical and pharmaceutical industry.
- 7.6. The use or regeneration of chlorinated hydrocarbons.
- 7.7. The production and storage of poisons, pesticides, liquid fertilizers, pharmaceutical products, paints, lacquers, and chemical substances.
- 7.8. The storage, processing, deactivation, and depositing of hazardous wastes.
- 7.9. Long-distance transport of radioactive and hazardous wastes.
- 7.10. Storage of petroleum and petroleum products.
- 7.11. Cement works and lime kilns.
- 7.12. Printing operations.

## 8. Infrastructure

- 8.1. Drawing subsurface water.
- 8.2. Cleaning up waste water and sewage.
- 8.3. Dumping areas and sludge fields.
- 8.4. Facilities for handling communal waste.
- 8.5. Boneyards and veterinarian sanitation facilities.
- 8.6. Dams and water reservoirs with a dam height of over 3 meters above the base of the dam or with an overall volume of supply area of more than 0.5 million cubic meters.
- 8.7. Modifying water flows.
- 8.8. Construction and reconstruction of highways and roads.
- 8.9. Railroads.
- 8.10. Cable railways.
- 8.11. Water routes and ports for domestic navigation.
- 8.12. Airfields.
- 8.13. Business complexes of more than 3,000 square meters of built-up area.
- 8.14. Camping grounds of more than 200 camp sites.
- 8.15. Construction projects and activities whose effects would impact the interests protected in accordance with the specific regulations.

## Appendix 2

### Content of Documentation and Evaluation of the Effects of Plans on the Environment Within the Czech and Slovak Federal Republic

- I. A description of the planned activity and its goals.
- II. A description of suitable and justifiable alternative variants to achieve the plan, including reference variants (a variant without the activity and an active zero variant) and variants for an ecologically optimum way to achieve the plan and their mutual comparison.
- III. A description of the environment which will probably be significantly affected by the proposed plan (or the proposed variants).
  - A. The basic characteristics (atmosphere, water, soil, geological situation, geomorphologic characteristics, climatic factors, fauna, flora, ecosystems).
  - B. Other characteristics (the method of using the countryside, land with an exceptional burden from civilization, land under a special protection status, important elements of the landscape, elements of the ecological stability system, architectural and historical monuments, archaeological sites, material values, and compliance of the plan with the applicable land planning documentation).
- IV. A description of the predicted effects of the plan (and the proposed variants) on the surrounding area and an estimate of their significance (not only the predicted direct effects, but also indirect, secondary, cumulative, and synergistic effects and not only short-term and temporary effects, but also long-term and permanent ones).
  - A. Effects on the population (health risk, social consequences, economic consequences).
  - B. Effects on ecosystems and on their components and functions (geological, geomorphologic and hydrogeological conditions, climatic relationships, hydrology, flora, fauna, processes, important landscape elements, ecological stability).
  - C. Effects on anthropogenic systems, their components and interconnections (construction, monuments, and other important human creations, cultural values of a nonmaterial nature, such as ethnic and local traditions, etc.).
  - D. Effects on the structure and function of land utilization (including the effect on the aesthetic quality of the landscape).
  - E. Large-scale effects of the plan on the countryside, with an evaluation of the ecological load capacity of the land, the suitability of localization of the individual variants from the standpoint of the ecological load capacity of the land and the current and potential resultant state of the ecological load capacity of the land (an aggregate impact of all the space phenomena and factors).

V. A description of the measures proposed for the prevention, elimination, and minimizing of or, where necessary, compensation for the effects of the proposed variants of the plan on the surrounding area. The land planning measures. Technical measures (for example, trapping and storing pollutant materials, recycling wastes, protective surveying of archaeological sites, measures for the protection of cultural monuments, other measures).

### Appendix 3

#### Plans Subject to Interstate Discussions From the Standpoint of Effects on the Environment

1. Crude oil refineries (with the exception of plants producing only lubricants from the crude oil) and facilities for gasification and burning of coal and bituminous slates of a capacity of 500 tonnes and more a day.
2. Thermal electric plants and other burning facilities which fall into the category of large sources of atmospheric pollution according to the specific regulations (Section 3, letter a) of law No. 309/1991 of the SBIRKA on the protection of the atmosphere against pollutant materials (the law on the atmosphere).
3. Nuclear electrical power plants and other facilities with nuclear reactors (with the exception of research facilities for the production and conversion of nuclear fuel and nuclear fuel raw materials whose maximum capacity does not exceed 1 kWh of continuous thermal load).
4. Equipment designed for the production or enrichment of nuclear fuel, reprocessing radioactive nuclear fuel, or collecting, storing, and processing nuclear waste.
5. Facilities for the primary production of cast iron and steel and the production of nonferrous metals of a capacity of over 30,000 tonnes annually.
6. Facilities for acquiring, processing, and reprocessing asbestos and asbestos products, for the annual production of asbestos cement products exceeding 20,000 tonnes; for abrasive materials with an annual production exceeding 50 tonnes; for other types of asbestos use exceeding 200 tonnes annually.
7. Complex chemical facilities where two or more connected chemical or physical processes are used for the production of olefins from petroleum products, sulphuric acid, nitric acid, hydrofluoric acid, chlorides, or fluorides.
8. First class roads, highways, superhighways, and airfields with a main runway more than 2,100 meters in length.
9. Long-distance petroleum pipelines with a pipe diameter of more than 500 mm and gas pipelines with a diameter of more than 300 mm.
10. Facilities for rendering toxic and hazardous wastes harmless, subsurface dumping sites, and above ground storage places for toxic and hazardous wastes.
11. Dams and water reservoirs with a dam height of more than 10 meters above the base of the dam or with a total volume of storage area of over 10 million cubic meters.
12. Facilities for extracting subsurface water in those cases where the annual volume of water extracted is equal to or exceeds 10 million cubic meters.
13. The production of cellulose and paper in quantities of 200 tonnes a day or more when air dried.
14. Domestic water routes and ports for domestic navigation making possible the passage of ships with a displacement greater than 1,350 tonnes.
15. Extracting, modifying, and refining ores and magnetite on site and all types of coal mining with a capacity of over 100,000 tonnes per year.
16. Large-scale storage for petroleum (over 200,000 cubic meters), petroleum products (over 50,000 cubic meters), and chemicals (over 2,000 tonnes).
17. Changes in the utilization of the land connected with large-scale logging of forests of over 5 hectares.

### Appendix 4

#### Content of Documentation on Evaluating the Effects on the Environment of Plans Subject to International Discussions

Information which must be included in the documentation on the evaluation of the effects on the environment must contain at a minimum:

- a) A description of the planned activity and its goals.
- b) Where necessary, a description of reasonable alternatives (for example, of a geographic or technological nature) for the planned activity, including variants which abandon the activity.
- c) A description of those elements of the environment which will probably be substantially affected by the planned activity or its alternative variants.
- d) A description of the possible types of effects of the planned activity and its alternative variants on the environment and an assessment of their scope.
- e) A description of measures for minimizing the scope of harmful impacts on the environment.
- f) The inclusion of specific methods of forecasting and the theses used as starting points on which the methods are based, and also the corresponding data on the environment which is utilized.

g) Laying out the deficiencies in knowledge and the uncertainties which were discovered in the preparation of the required information.

h) Where necessary, a brief summary of the program for monitoring and management and all plans for analysis after the project is completed.

i) Where necessary, a resume of a nontechnical nature with the use of visual aids to present the material (maps, graphs, etc.).

Type of activities planned which could have considerable harmful effects extending beyond the state borders are judged on the basis of one or more of the criteria given below:

a) Size: Types of activity planned whose size is excessive for the given type of activity.

b) Location: Types of activity planned which are to be implemented in especially sensitive areas or those which are in or in the immediate proximity of important areas from an ecological standpoint (for example, highly saturated soils as defined by the Ramsar Convention, national parks, protected natural areas, areas of special scientific interest, or areas where there are archaeological, cultural, or historic monuments); also types of

activities planned in areas in which the characteristics of the planned economic activity could have a significant impact on the population.

d) [as published] Consequences: Types of activities planned which have specially complex and potentially harmful effects, including those types of effects which have serious results for the population and important types of flora, fauna, and organisms; threaten current or possible use of the affected area; and cause the origin of a burden exceeding the level of the area stability for the current impact.

Types of activities planned for implementation in the immediate proximity of the international borders are judged according to this goal, as well as types of activities planned for implementation in more remote areas which can have a marked effect extending beyond the state borders at great distances from where the economic activity is taking place.

#### Footnotes

1. Section 116 of the Civil Law.
2. For example, Law No. 50/1976 of the SBIRKA on land use planning and the construction code (the construction law) before a decision is given.
3. Conventions of the European Economic Commission of the United Nations on the evaluation of effects on the environment extending beyond state borders.

**Decree on Civil Defense Organization**

92P20156A Budapest MAGYAR KOZLONY  
in Hungarian No 9, 27 Jan 92 pp 141-146

[Summary] Budapest MAGYAR KOZLONY in Hungarian No. 9 of 27 January 1992 carries the full text of Government Decree No. 15/1992 and defines the functions of the civil defense system as mitigating acts of God, industrial and other disasters in times of peace, and, as part of national defense, state actions to protect life and property from the effects of offensive weapons. The system is to be organized and developed as part of the regular functions of civilian, military, and police organizations.

Civil defense functions include disaster and emergency planning, public education, the establishment of physical facilities (e.g. bomb shelters), the provision of materials (e.g. food and water supplies), and the actual performance of emergency functions (e.g. first aid, rescue, decontamination), including response to damage caused by radiological, biological, and chemical weapons.

The minister of the interior has overall responsibility for civil defense; he directs the civil defense activities of the ministry's subordinate offices and agencies (e.g. police, border guards, fire services, appointed county executives), coordinates with other ministers each of whom

have specifically designated civil defense functions, and delegates the professional implementation of civil defense tasks to what appears to be a newly established organization: the National Civil Defense Command [PVOP]. The minister of the interior appoints the commander and the deputy commander of the PVOP and establishes its functional scope.

The Decree establishes specific authorities and jurisdictions for the ministers of defense; justice; industry and commerce; transportation, communications, and waterways; public welfare; agriculture, environmental protection and regional development; and culture and public education; as well as for the president of the Hungarian National Bank, the commander of the Hungarian Honved Forces, the appointed county executives, mayors and the lord mayor of Budapest.

Civil defense personnel (within the the PVOP and its support institutions, and civil defense commands in the various counties, Budapest and in districts) consists of professional members of the armed forces as defined in Decree with the Force of Law No. 10 of 1971 and of civilian personnel. Funding will be provided in the framework of the Ministry of the Interior budget, except for expenses related to the self-defense of civilian organizations needed in the course of performing civil defense functions.

**Law on Vacation, Other Benefits for Workers**

92BA0535A Bucharest *MONITORUL OFICIAL*  
in Romanian 10 Feb 92 pp 1-3

["Text" of law on employee annual and other vacation time issued in Bucharest on 5 February]

[Text] The Romanian Parliament passes the present law.

**Article 1**

(1) Each calendar year employees are entitled to a paid annual vacation of at least 18 working days.

(2) For youth under the age of 18 the minimum annual vacation is 24 working days.

(3) The length of the annual vacation established under the present law applies yearly.

**Article 2**

(1) Employees engaged in hard, dangerous, or harmful labor or employed in jobs at which such conditions prevail, determined in accordance with Law No. 31/1991, are entitled to at least three additional vacation days per year.

(2) Blind employees are entitled to six additional vacation days per calendar year.

(3) Employees classified as physically handicapped are entitled to three additional vacation days per calendar year.

(4) The additional annual vacation days granted under paragraph (1) will be cumulated with the other vacation days granted under paragraphs (2) or (3), according to case.

**Article 3**

Throughout the duration of the annual vacation the employees are entitled to an allowance that may not be lower than the sum total of the base pay, length of service increment, and allowance for managerial positions.

**Article 4**

(1) The duration of the annual and additional vacation days and the amount of the allowance due for it for each employee will be established under the individual labor contract, in keeping with the provisions of the present law and with the clauses negotiated under the collective labor contract.

(2) Upon negotiating the length of annual vacation time, the social partners may also take into account the employees' length of service.

**Article 5**

(1) The regulations on taking annual vacation days and receiving money compensations for vacation days not taken will be established under collective labor contracts.

(2) Annual vacation days will be scheduled yearly by the management jointly with the representatives of the trade unions or the employees, according to case.

(3) Money compensations for annual vacation days not taken is permissible only in the following cases:

- a) The employee's labor contract has ended;
- b) The employee is called up for military service;
- c) The compensation is specifically stipulated in a special law.

**Article 6**

The personnel of the public administration, courts and prosecutor's offices, and other state bodies are entitled to at least 21 working days in paid annual vacation every year.

**Article 7**

The regulations concerning the length of annual and supplementary vacation days, the amount of the allowance due, the scheduling, taking, interruption, and postponement of annual vacation time, and money compensations for vacation days not taken will be established, within the limits and in compliance with the provisions of the present law, by:

- a) A government decision—for the employees of public administration, autonomous managements with a special status, and units funded from the budget;
- b) Regulations—for employees of the judiciary, prosecutor's office, and other state institutions.

**Article 8**

(1) Teaching staff will be entitled to annual vacation time of the same length as the end-of-year break, but no less than 62 calendar days.

(2) Teaching staff will be entitled to full annual vacation time if they worked throughout the school or university year. If they were hired after the beginning of the school or university year, the length of vacation time will be prorated to the time between the date of hiring and the end of the school or university year.

(3) Certified personnel employed in scientific research will be entitled to at least 24 working days of annual vacation.

**Article 9**

Any agreement by which the right to annual vacation time is partially or entirely forfeited is forbidden.

**Article 10**

(1) In addition to annual vacation time, employees are entitled to paid days off for special family events.

(2) Employees are entitled to unpaid leave for the purpose of handling personal situations.

(3) The situations in which employees are entitled to paid days off or unpaid leave, the procedure involved in granting such leave, and the number of days will be established in keeping with Article 5, paragraph (1) or, according to case, Article 7, which will be duly implemented.

#### Article 11

Economic enterprises, autonomous managements, and other economic units financed by mixed state or private capital, public institutions, the central and local public administration, and other state bodies will ensure that by 31 December 1992 all the employees have taken their annual vacation days for 1992 and previous years. If taking annual vacation days is not possible, money compensations will be ensured for the vacation days not taken in keeping with the legal provisions in effect during the period for which the vacation time not taken was due.

#### Article 12

(1) The present law will be implemented as of 1992.

(2) The laws and provisions concerning annual and supplementary vacation days and unpaid leave featured in the annex to the present law, and any other provisions to the contrary, are abrogated.

This law was passed by the Chamber of Deputies at its 28 January 1992 session, in compliance with Article 74, paragraph (1) of Romania's Constitution.

President of the Chamber of Deputies  
Dan Martian

This law was passed by the Senate at its 28 January 1992 session, in compliance with Article 74, paragraph (1) of Romania's Constitution.

President of the Senate  
Academician Alexandru Birladeanu

Bucharest, 5 February 1992  
No. 6

#### ANNEX

##### List of Legal Acts and Provisions Concerning Annual and Supplementary Vacation Days and Unpaid Leave Granted for Personal Reasons That Are Abrogated

##### I. Legal acts abrogated in their entirety:

—Law No. 26/1967 on employees' annual vacation time.

—Decree No. 338/1983 on amending Law No. 26/1967 on employees' annual vacation time.

—Council of Ministers Decision No. 1149/1968 on criteria for determining the work places subject to special conditions for which supplementary annual vacation

days are awarded and the work places for which the length of the supplementary annual vacation time may exceed 12 working days.

—Government Decision No. 436/1990 on determining the work places or activities that entitle employees to supplementary annual vacation days, and the length of such vacation.

—Government Decision No. 650/1990 on the annual vacation time of personnel employed in units controlled by the Ministry of Light Industry.

II. Provisions regarding annual vacation, supplementary annual vacation, and unpaid leave for personal reasons that are abrogated which are included in the following legal acts:

—Articles 125, 126, and 163 of the Labor Code—Law No. 10/1972.

—Decree-Law No. 98/1990 on certain benefits for railway personnel.

—Government Decision No. 163/1990 on certain benefits regarding the activities and enterprises of the Ministry of Electrical Engineering and Electronic Industry.

—Government Decision No. 1654/1990 on certain benefits for the personnel of nonferrous metallurgical combines.

—Government Decision No. 178/1990 on certain benefits for the personnel of the chemical enterprises Carbosim, Copsa Mica, and of the carbon black processing and packaging factory of the Pitesti Petroleum Combine.

—Government Decision No. 199/1990 on certain benefits for the personnel of the Copsa Mica nonferrous metallurgical combine.

—Government Decision No. 266/1990 on certain benefits for the personnel of the extractive, oil, and gas industry.

—Government Decision No. 267/1990 on certain benefits for the personnel of the mining industry.

—Government Decision No. 268/1990 on certain measures to improve work at units controlled by the Ministry of Metallurgical Industry.

—Government Decision No. 314/1990 on certain measures to improve conditions and award certain benefits for the personnel employed in geological activities.

—Government Decision No. 542/1990 on establishing certain benefits for personnel employed in plants, sections, and teams engaged in steel processing, casting plants, foundries, thermal treatment plants, and metal plating plants in the machine-building industry.

—Government Decision No. 610/1990 on certain benefits for the blind.



—Government Decision No. 672/1990 on certain benefits for the personnel of industrial enterprises, units, and branches, port authorities, and technical services belonging to the Department of Construction Material Industry and Installations of the Ministry of Construction.

—Government Decision No. 811/1990 on certain benefits for the personnel of the Timber Industry Department.

**Decision on Computing, Levying Profit Tax**  
*92BA0439A Bucharest MONITORUL OFICIAL*  
*in Romanian 19 Dec 91 pp 1-3*

["Text" of Romanian Government Decision on profit tax, issued on 30 November 1991 in Bucharest]

[Text] On the basis of Law No. 56/1991 authorizing the government to levy or amend taxes and dues:

The Government of Romania decrees:

**Article 1**

The autonomous managements, business firms, cooperative organizations, financial and credit institutions, other businesses organized as legal persons, including those financed by foreign capital, as well as the economic units of other Romanian or foreign legal persons that achieve profits in their activities, and legal persons engaged in nonprofit activities but who achieve profits from economic activities, herein referred to as tax-paying entities, are obligated to pay a profit tax into the state central administration budget or into local budgets.

**Article 2**

The profit tax will be calculated proportionally as follows:

—30 percent on taxable profit of up to 1,000,000 lei;

—45 percent on the portion of taxable profit in excess of 1,000,000 lei.

The taxable profit is calculated as the difference between revenues and the expenditures envisaged in Annex No. 1.

**Article 3**

The profit tax is calculated and settled on a monthly basis, in keeping with the profit achieved, and cumulated from the beginning of the year. For this purpose, profit tax payments will be made on a monthly basis and will be recalculated and settled with the state central administration budget or with the local budgets, as the case may be, cumulated from the beginning of the year, on the basis of the credit balance shown in the "profit and loss" account. Payment will be made by the 25th of the following month for the lapsed part of the year, and by the 31st of January for the passed fiscal year. If the payment date falls on a nonworking day, the payment will be made on the immediately following working day.

**Article 4**

The tax on the parts of profit used to finance investments designed to develop and update production technologies for the purpose of increasing profits and to protect the environment will be reduced by 50 percent, whereas the moneys resulting from the reduction are to be used for the same purpose.

The calculation and settlement with the state central administration budget or local budgets of the amounts resulting from the tax reduction will be made by the 31st of January of the following year and will be shown in the balance sheet of the year in question.

**Article 5**

Tax-paying entities are obligated to file tax forms with the public general fiscal directorates of the counties and of Bucharest Municipality as follows:

a) By 15 April of each year for profits made in the preceding year;

b) By 15 August of each year for profits expected in the following year.

Every month, tax-paying entities will file with the local fiscal body a tax statement regarding the profits made in the month for which tax is being paid and cumulated from the beginning of the year, as per the model in Annex 2.

The tax statement will be filed within five working days of the date on which the profit tax is paid, as per Article 3.

**Article 6**

Failure to pay the amounts due to the central state administration budget or to local budgets on the legal schedules will incur the payment of a 0.1 percent increment on the amount due for each day of delay.

**Article 7**

The provisions of the present decision will come into effect on 1 January 1992.

Beginning on the same date, the provisions of Law No. 12/1991 will be replaced as follows: The provisions of Article 1 will be replaced by those of Article 1 of the Decision; Article 2 will be replaced by Article 2; Article 3, paragraph 1, by Article 3; Article 9 by Article 4; Article 12, paragraph 1, by Article 5, paragraphs 1-3; Article 13, paragraph 2, by Article 6, and Annexes Nos. 1 and 2 by Annexes Nos. 1 and 2 to this Decision.

Similarly, the following provisions will cease to be implemented as of the date stipulated in paragraph 1:

—Article 11, subparagraph h), Articles 16-18, and Article 22 of Law No. 29/1978 on profit formation, planning, use, and payment;

—Decree No. 179/1962 on taxing the revenues of cooperatives and other cooperative, consumer, and artisans organizations, and the revenues of the economic enterprises and organizations of public institutions, republished;

—Articles 1-10 and 21 of Law No. 2/1977 on agricultural income tax;

—Government Decision No. 741/1990 on the income tax of state economic enterprises;

—The tax table applicable to the revenues of small enterprises and profit associations featured in Annex No. 11 to Government Decision No. 201/1990 on approving the norms of implementation of Decree-Law No. 54/1990 regarding the organization and pursuit of economic activities on the basis of free entrepreneurship;

—Article 13 of Decree No. 425/1972 on the income tax of mixed associations;

—Any other provisions to the contrary.

#### Article 8

The provisions of the present decision will be implemented until such a time as Parliament has passed the measures featured in it, and after that in accordance with the endorsement law.

Prime Minister  
Theodor Stolojan

Bucharest, 30 November 1991

No. 804

#### ANNEX NO. 1

##### Expenses Deductible from Revenues for Calculating the Taxable Profit

1. Expenditures incurred in the course of operation in keeping with the revenues received which, in accordance with the legal provisions, are shown in the costs of the economic enterprises;

2. Land use tax;

3. Tax on legally registered mechanical and water means of transportation;

4. Professional training and specialization expenses;

5. Sums paid for study contracts dealing with priority programs of a national interest, documenting development strategies, raising the quality of products and services, and creating new and competitive products, which are not included in the production costs or turnover outlays of businesses, as the case may be;

6. Commission paid to foreign trade businesses;

7. Representational, advertising, and publicity expenses, in keeping with the annual budget law;

8. Children allowances paid by businesses rather than from the national public budget;

9. Payments into reserve and other special funds formed in compliance with legal provisions;

10. Losses incurred in previous years, if they were not recovered by the time of calculation of the taxable profit;

11. Payments and donations for humanitarian causes and for supporting social, cultural, scientific, and sports activities, in accordance with the annual budget law;

12. Other expenses in compliance with the legal norms in effect.

#### ANNEX NO. 2

County.....  
Code.....  
Sector.....  
District.....  
Firm Code in Sequence.....  
Form Code.....  
Registration Number .....  
Date of Registration.....  
Record Number .....

#### Profit Tax Statement for Legal Persons for the Period From..... to..... (in the prices prevailing at the date of the statement)

	Line No.	Achieved	
		Relevant Month	Cumulated From Beginning of the Year
Revenues—Total	01		
Total expenses related to revenues	11		
Of which:			
—Shown in costs	13		
—Paid out directly from revenues	15		
Turnover tax	16		

**Profit Tax Statement for Legal Persons for the Period From..... to.....  
(in the prices prevailing at the date of the statement) (Continued)**

	Line No.	Achieved	
		Relevant Month	Cumulated From Beginning of the Year
Taxable Profit	28		
Increments and additional sums paid above the 20 percent stipulated in Government Decision No. 127/1991			
Profit tax	29		
Payable Tax	36	X	
Settlement in compliance with Article 3 of the law			

The above data is identical to the data contained in the business balance sheet and the business management is responsible for verification.

Director

Financial-accounting department manager

**Revised Law on Assisting, Rehabilitating Unemployed**

92BA0483B Bucharest MONITORUL OFICIAL  
in Romanian 30 Dec 91 pp 6-10

["Text" of republished Law No. 1/1991 on social assistance to and professional rehabilitation of the unemployed]

[Text] Note: Law No. 1/1991 is republished on the basis of Article II, paragraph (3) of Law No. 72 of 14 December 1991, published in MONITORUL OFICIAL, Part I, No. 251 of 16 December 1991, with new numbers for the articles. Law No. 1 of 7 January 1991 is published in MONITORUL OFICIAL, Part I, No. 1 of 8 January 1991.

**CHAPTER I**

**General Provisions**

**Article 1**

Persons capable of working who cannot be employed because of a shortage of available jobs suited to their training will be viewed as unemployed and will qualify, in accordance with the present law, for unemployment relief and other forms of social protection, and for training and retraining assistance with a view to their professional rehabilitation.

**Article 2**

The following are entitled to unemployment relief in keeping with the present law:

a) Eighteen-year-old school graduates who do not have sources of income amounting to at least half the indexed

nationwide minimum gross base pay and who for 60 days have not succeeded in finding a job in line with their professional skills.

In cases justified by the absence of legal guardians, 16-year-old school graduates are also entitled to the same unemployment relief.

Graduates of special schools for the handicapped who do not have a job will be entered in the books immediately after graduation;

b) Young men who were not employed under a work contract before their military service and who failed to find employment 30 days after their release from the Army;

c) Persons whose labor contract was ended by the employing unit for the reasons listed in Article 130, paragraph (1), subparagraphs a-f of the Labor Code, or who ceased to be members of artisan cooperatives through no fault of their own;

d) Persons whose labor contract was ended by the employing unit—if a competent body issued an order or decision ruling that the employer's measure was illegal or that the person involved was not at fault—if returning to the job at the previous unit or at the unit that took over its assets is no longer possible for objective reasons;

e) Persons whose labor contract was ended at their request for reasons that legally do not cause a break in length of service at the same unit, if they worked at least six months of the past 12 months prior to the date of registration of the application for unemployment relief;

f) Persons who had been employed under a labor contract for a limited time and stopped working at the expiration of the term envisaged in the contract, if they worked at least six of the 12 months prior to filing the application for unemployment relief.

## CHAPTER II

Unemployment Relief and Other Forms of Social  
Protection for the Unemployed

## Article 3

Unemployment relief consists of a payment calculated individually on the basis of categories of persons and length of service, in keeping with the indexed nationwide minimum gross base pay or the last month's indexed gross base pay minus the legal income tax applicable to each person's situation, as follows:

a) 60 percent of the indexed nationwide minimum gross base pay, minus the legal income tax applicable to the situation of each person, for recipients of unemployment relief who are graduates of preuniversity, vocational, or apprentice schools, are at least 16 or 18 years old, according to case, and for those with a length of service of less than one year;

b) 70 percent of the nationwide indexed minimum gross base pay, minus the legal income tax required for the person's situation, for recipients of unemployment relief who are graduates of institutes of higher education;

c) 50 percent of the indexed gross base pay for the previous month, minus the legal income tax in accordance with the person's situation, for recipients of unemployment relief with a length of service of one to five years, but no less than 75 percent of the indexed nationwide minimum gross base pay;

d) 55 percent of the indexed gross base pay for the previous month, minus the legal income tax in accordance with the person's situation, for recipients of unemployment relief with a length of service of five to 15 years, but no less than 80 percent of the nationwide indexed minimum gross base pay;

e) 60 percent of the indexed gross base pay for the previous month, minus the legal income tax levied in accordance with the person's situation, for recipients of unemployment relief with a length of service of 15 years or more, but no less than 85 percent of the indexed nationwide minimum gross base pay.

## Article 4

In order to qualify for unemployment relief, the persons mentioned in Article 2 must fulfill the following conditions:

a) They must be registered at the manpower office of the directorate of labor and social welfare in the county or in Bucharest municipality where they reside if their last job was located in that area;

b) Their health, as verified by a medical certificate, must allow them to work.

## Article 5

(1) The following do not qualify for unemployment relief:

a) Persons who own agricultural land of at least 10,000 square meters in hilly or plain areas or at least 20,000 square meters in mountainous areas;

b) Persons who have other sources of income or income from legally authorized activities, and who thus secure an income of at least half of the indexed nationwide minimum gross base pay, minus the income tax legally due in keeping with the person's situation;

c) Persons who were offered a job suitable to their training and education, personal situation, and health at a distance of at most 50 km from their residence, or for whom the manpower office recommended, in writing, training or retraining courses, and who turned down the offer or recommendation without justification;

d) Persons whose age and length of service qualify them to apply for a pension;

e) Members or former members of agricultural production cooperatives.

(2) The situations described in subparagraphs a) and b) of paragraph (1) will be certified by documents issued by the town hall of the locality of residence or by the regional financial organs authorities, and by a statement made by the employee for which he will bear responsibility.

## Article 6

(1) Persons who held jobs in the past are entitled to receive unemployment relief as of the date when their work contract or their membership in an artisan cooperative ended, as the case may be, in accordance with Article 2, if they registered with a manpower office within 30 days of losing their job, or of the date of registration if they registered with the manpower office after that date.

(2) Persons described Article 2, subparagraph d) will acquire the right to receive unemployment relief as of the date of the final rehabilitation decision, or of the date of a final acquittal or release order or decision, if they registered with a manpower office within 30 days of the date in question or of the date of registration, if the latter occurred after the expiration of the 30 day term.

(3) Persons who did not hold a job in the past can become eligible for unemployment relief as follows:

a) Preuniversity and higher education graduates: 30 days after the date on which they legally applied to a manpower office or other competent bodies for a job suited to their training;

b) Persons released from compulsory military service: 30 days after they applied to a manpower office for a job suitable to their skills;

c) Graduates of special schools for the handicapped: on the date of registration with a manpower office.

(4) Women who legally stopped working in order to raise children and persons who lost their status as pensioners will become eligible for unemployment relief on the date when they register with a manpower office.

(5) The 30-day terms stipulated in paragraph (3) will be counted at the expiration of the 60-day or 30-day terms as described in Article 2, subparagraphs a) and b).

#### Article 7

(1) Unemployment relief is paid at the request of persons who are eligible by law.

(2) The unemployment relief will be paid as of the date on which the person became eligible and may not be paid retroactively for more than 30 days of the date of registration of the application for unemployment relief.

#### Article 8

Applications for unemployment relief will be addressed to the labor and social welfare directorates of the counties or of the Bucharest Municipality.

#### Article 9

(1) The unemployment relief will be paid, at the most, for 270 calendar days, during which time the unemployed are obligated to attend training or retraining courses for a new trade or specialty established by the labor and social welfare directorates.

(2) Persons attending training or retraining courses will continue to receive aid throughout the duration of the course and until the first job assignment, but no longer than 30 days after graduating.

#### Article 10

(1) Upon graduation, persons who attended legally organized training or retraining courses are obligated to work at the units to which they were assigned.

(2) Graduates who turn down two assignments without justification will be obligated to return the unemployment relief received during the courses and up until the assignment, as well as the schooling expenses. On the day of enrollment at the courses, the persons in question will sign a pledge along this line with the labor and social welfare directorate; should the signatory not fulfill the obligations assumed, the pledge will serve as a mandatory injunction.

#### Article 11

After the expiration of the unemployment relief period, the persons in question will receive the social welfare benefits stipulated by the law.

#### Article 12

During the period in which people receive unemployment relief, they are also entitled to the same allowance for children as before they became unemployed, and to free medical care. Welfare housing will be kept throughout the period in which the tenant is on unemployment relief, unless the apartment is located on the unit's premises or is directly linked to providing ongoing or continuous service.

#### Article 13

The period in which a person is eligible for unemployment relief counts as length of service and does not constitute a break in continuous length of service at the same unit.

#### Article 14

Persons who suffered a partial or total loss of their working capacity during the period in which they were on unemployment relief or at training or retraining courses will be entitled to the social security benefits stipulated by law for employed persons, including disability pension.

#### Article 15

(1) Recipients of unemployment relief are obligated to go to the manpower office exchange office twice a month, by appointment or whenever summoned.

(2) A recipient of unemployment relief who becomes employed or begins to receive income from the sources described in Article 5, paragraph (1), subparagraphs a) and b) is obligated to report the fact to the manpower office within three days.

(3) The obligation stipulated in paragraph (2) is also incumbent on the juridical person or individual who did the hiring.

#### Article 16

The status of recipient of unemployment relief and fulfillment of the obligation stipulated in Article 15 will be verified by means of a card issued and stamped every two months by the manpower office.

#### Article 17

(1) Unemployment relief will be paid once a month by the labor and social protection directorates in relation to the number of calendar days for which the recipient is eligible for such assistance, on the basis of the identity card and manpower office card.

(2) Unemployment relief is not subject to taxation.

#### Article 18

(1) The payment of unemployment relief will cease in the following situations:

a) Upon expiration of the deadlines specified in Article 9;

b) When the recipient is hired or 30 days after he is licensed to carry out a private business;

c) In the case of unjustified refusal to become employed in a given unit under an unlimited or limited labor contract and in a job suited to the training and education of the unemployed person, his personal situation, and his health;

d) On the date of the unjustified refusal to attend a training course, or, according to the case, on the date of abandoning or failing to graduate from a course organized in keeping with Article 10, paragraph (2) of the present law for reasons for which the person is responsible.

(2) The payment of unemployment relief is suspended:

a) If the obligation stipulated in Article 15 is not fulfilled;

b) For the period of military service;

c) For the period during which the recipient establishes residence abroad;

d) For the period during which the recipient is under preventive arrest or serving a prison term;

e) For the period during which the recipient is employed under a labor contract for a specific period of time.

#### Article 19

Persons who were reinstated in their jobs by the competent organs of jurisdiction and awarded damages for the period in which they did not work will return the unemployment relief received for the same period of time.

### CHAPTER III

#### Forming and Utilizing the Unemployment Relief Fund

##### Article 20

The unemployment relief fund will be formed from the following sources:

a) A 4-percent fee applied to the monthly gross wage fund achieved by Romanian and foreign physical and juridical persons residing in Romania who hire Romanian personnel; to the income of physical persons licensed to carry out an individual business, and to family businesses working on the basis of Decree-Law No. 54/1990;

b) A 1-percent contribution from the monthly gross base salary paid by the employees of the physical and juridical persons listed under subparagraph a);

c) A 1-percent contribution from the gross monthly income received by cooperative members for their work;

d) A subsidy from the state budget to supplement the fund if the sources listed under subparagraphs a), b), and c) do not cover all the payments due.

##### Article 21

(1) The unemployment relief fund will be kept in an account opened by the Ministry of Labor and Social Welfare with the National Bank, managed by the latter, and bearing interest.

(2) Any amounts not utilized during one period will be carried to the immediately following periods and there is no obligation to pay them into the state budget.

(3) Failure to remit on schedule the amounts stipulated in Article 20 will incur a 0.05-percent increase for each day of delay, but not more than the sum total of the amounts owed.

##### Article 22

From the fund formed in accordance with Article 20 of the present law, payments will also be made to:

a) Cover the expenses involved in paying the unemployment relief;

b) Cover the expenses incurred in training and retraining the unemployed.

##### Article 23

During the period 1 November 1991-31 March 1992, the government is authorized to pay the salaried personnel of economic expenses whose work was temporarily suspended because of lack of energy resources, out of the unemployment fund, whereby the employees' status as such remains unchanged.

### CHAPTER IV

#### Final Provisions

##### Article 24

A special control corps will be established at the Ministry of Labor and Social Welfare and at the labor and social welfare directorates to supervise the activities involved in establishing and paying out the unemployment relief envisaged by law. The number of personnel of the control corps and their salaries will be established by a government decision.

##### Article 25

(1) Failure to observe the provisions of Article 15 paragraphs (2) and (3), and Article 29 constitutes a violation and will be punished as follows:

a) Failure to observe the provisions of Article 15, paragraphs (2) and (3)—by a fine of 2,000 to 5,000 lei;

b) Failure to observe the provisions of Article 29—by a fine of 1,500 to 4,000 lei;

c) A fine of 8,000 to 10,000 lei for failure to produce or refusal to release to the control corps the documents, data, and explanations required for verification.

(2) The bodies of the control corps described in Article 24 will ascertain the violations and apply the sanctions.

(3) The provisions of the present article will be complemented by the provisions of Law No. 32/1968 regarding the verification and punishment of violations.

#### Article 26

(1) Within 90 days of the enactment of the present law, the government will issue a decision on the establishment, organization, and operation of training and retraining centers for recipients of unemployment relief, and on the rights and obligations of the persons in question.

(2) The government is obligated to ensure, within at most three years of the enactment of the present law, appropriate material resources to permit the appropriate functioning of the process of training and retraining the unemployed.

(3) The training and retraining centers will be organized by taking over facilities from the education network that are no longer in legitimate use and other available facilities, as well as by hiring the necessary personnel from such units.

(4) The training and retraining centers will operate under the control of the labor and social welfare directorates.

(5) In order to ensure the utilization of all available opportunities, the labor and social welfare directorates may also organize training and retraining classes for recipients of unemployment relief in vocational schools or similar institutions.

#### Article 27

The procedures for receiving and resolving applications for unemployment relief will be established within 15 days of the publication of the law by an order of the minister of labor and social welfare which will be published in MONITORUL OFICIAL.

#### Article 28

Disputes regarding the establishment and payment of unemployment relief will be settled by the courts in keeping with the procedure applicable to labor disputes.

#### Article 29

The units are obligated to report all vacancies to the labor exchange offices within three days of the date on which they became available, and the labor and social welfare directorates are obligated to keep up their records and to post the vacant positions.

#### Article 30

(1) The persons described in Article 2 who were unemployed on the date of enactment of the present law and were registered with manpower offices are eligible for unemployment relief as of the date of their application.

(2) In cases in which the persons described in paragraph (1) are not registered with manpower offices, they will become eligible after 30 days of the date of registration.

#### Article 31

(1) On the date of enactment of the present law, the provisions of Government Decision No. 758/1990 regarding the salaries of temporarily unemployed personnel will be abrogated.

(2) The funds formed on the basis of Decree-Law No. 144/1990 for extending the term of application of Decree-Law No. 25/1990 regarding the utilization and salaries of personnel during periods of temporary work interruptions will be transferred into the account of the fund for unemployment relief.

(3) The provisions of Article 20 of Law No. 3/1977 regarding state social security pensions and social assistance, and Article 51 of Law No. 5/1973 will be amended in line with the provisions of the present law.

(4) The present law will come into effect within 30 days of its publication in Romania's MONITORUL OFICIAL. (With the exception of the provisions of Article 2, subparagraph a); Article 3; Article 5, subparagraph (b); Article 6, paragraph (1); Article 6, paragraph (3), subparagraph c); Article 6 paragraph (4); Article 9, paragraph (1); Article 20, subparagraphs a), b), c); Article 21, paragraph (3); Article 23, and Article 25, paragraph (1), subparagraph c), which came into effect on 16 December 1991.

Note: In accordance with Article II, paragraphs (1) and (2) of Law No. 72 of 14 December 1991:

(1) The provisions of the present law will also be applicable to the persons whose period of unemployment relief payment expired before its enactment.

(2) Persons whose period of 270 days of unemployment relief will expire before 31 March 1992 and who cannot secure employment will continue to receive unemployment relief until that date.

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